EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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IRAN
Ten years since fall of the Shah
Page 3

World News

Police break up Prague memorial gathering

Czechoslovak police clashed with about 2,000 people who assembled in central Prague to commemorate the death 20 years ago of Jan Palach, who set himself on fire in protest against the 1968 Soviet-led invasion. At least one person was injured in the third serious gathering of opposition groups in Prague in the past six months. Page 12

Karabakh direct rule
The Kremlin's decision to impose direct rule on the disputed region of Nagorno-Karabakh will mean no change in the enclave's status as part of Armenia, but will bring most key decisions under local control. Page 2

Rail crash kills 120
At least 120 people were killed and more than 1,000 injured when two packed express trains crashed head-on in Bangladesh's worst ever rail disaster.

Pull-out 'on time'
The commander of Soviet forces in Afghanistan said in a television interview that all his troops would leave the country by the February 15 deadline set in the Geneva accords, despite failure so far to find a political settlement. Page 2

Militias agree truce
Rival Shia militias agreed a temporary truce to allow Red Cross teams to evacuate the dead and dying from the southern Lebanese town of Jubah, after fighting in which 166 people have been killed since December 31.

East German protest
East German police reportedly arrested about 80 people when some 500 activists gathered in central Leipzig to protest against the detention of 11 dissidents.

Belgium stops aid
Belgium took the initiative in a continuing diplomatic row with its former colony, Zaire, announcing a halt to new aid projects. Page 2

Iraq to free 225
Iraq is to release 255 mostly sick or crippled Iranian prisoners of war, President Saddam Hussein promised. Officials said Baghdad expected the International Committee of the Red Cross (ICRC) to persuade Tehran to free a similar number of Iraqi prisoners.

New Socialist leader
Portugal's much-delayed constitutional review should enter a more active phase after the election of Jorge Sampaio, a lawyer and foreign affairs expert, as leader of the opposition Socialist Party. Page 3

ETA talks proposal
The Spanish Government is reportedly ready to reopen peace talks with the Basque separatist organisation ETA, provided the latter extends its current two-week truce.

Palestinians die
Israeli troops in the occupied West Bank shot dead a Palestinian teenager and a Gaza youth died of his wounds, as Arabs throughout the occupied territories staged a general strike in protest at Israeli rule. Israel's harder line, Page 3

Mafia indictment
Sicilian magistrates have taken an important step towards exposing links between local politicians and the Mafia with a request for the indictment of Vito Ciancimino, a former Christian Democrat party leader. Page 3

Norway border offer
Norway has received an offer from the Soviet Union to "alter moderately" its proposed northern-most boundary in a strategically vital zone of the Barents Sea. Page 2

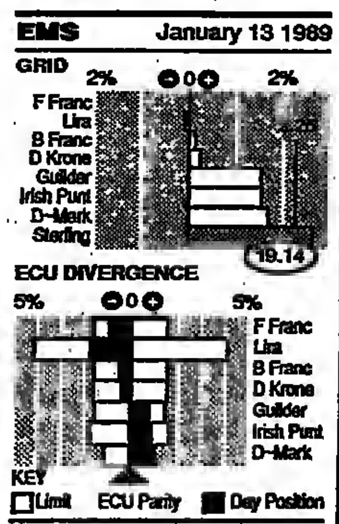
Chemical plant row
A visit by an independent engineering team to the controversial chemicals production complex at Rabta in Libya would quickly establish whether it is intended to make chemical weapons, according to Western experts. Page 12

Business Summary

Survey hints at slowing of British retail boom

RAPID growth in UK retail sales may be showing first signs of running out of momentum, according to latest CBI/FT survey, after several months in which results have jumped around and often conflicted with signals from official sources. Page 4

EUROPEAN Monetary System: Strength of the dollar relieved pressure on weaker members of the EMS last week but central banks intervened in attempt to restrict dollar's rise. Trading remained nervous ahead of long weekend in some financial centres and Bank of Italy continued to buy D-Marks in effort to offset lira's firmer trend.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies. Currencies, Page 26

PUBLIC Service of New Hampshire, first US power utility to operate under bankruptcy law since the Depression, has received takeover offer for non-nuclear assets from Northeast Utilities, that may be worth up to $2bn. Page 16

UK securities houses face substantial costs because of planned legislation which could to provide transcripts of all tapes which routinely record telephone conversations in trading rooms. Page 4

HONG Kong Government is considering amending Securities and Futures Commission Bill following opposition from brokers who fear proposed watchdog will slow colony's securities markets with over-regulation. Page 3

IBERIA, Spanish national airline, is expecting to have to cancel hundreds of domestic and international flights this week as strike by maintenance staff begins to bite. Page 2

WEST German Finance Minister Gerhard Stoltenberg said he sees no cause for rise in German interest rates at present, either for economic or exchange rate reasons. Page 2

LONDON International Stock Exchange has eased Eurobond listing requirements and reduced charges in apparent attempt to take business from Luxembourg. Page 16

RJR Nabisco's Del Monte Foods unit will probably be sold to help pay for $25bn leveraged buyout of RJR Nabisco by Kohlberg Kravis Roberts. Page 16

AUSTRALIAN Government has set qualified precedent for deregulation of banking industry by approving, in principle, proposed A$103m (US$89m) bid by MLC Life group for Australian Bank. Page 16

CREDIT Lyonnais of France has taken over 11-strong European equity market-making team which was among 450 people made redundant by Morgan Grenfell in shake-out of its London operations at beginning of December. Page 16

NICARAGUA'S Finance Minister, William Hupper, revealed that 1988 public sector deficit equivalent to 27 per cent of GNP was financed entirely by monetary emission, largely explaining inflation rate estimated at 50,000 per cent last year. Page 3

Brazil faces price freeze and sharp rein on monetary policy

By Ivo Dawnay in Brasilia

PRESIDENT JOSE SARNEY was last night due to announce Brazil's third major economic "shock" in under three years, with a new price freeze, a steep increase in real interest rates, sharply tightened monetary policy and a ministerial reform expected to involve mass dismissals of civil servants.

The Summer Plan, which aims to apply the brakes on an inflation rate nearing 30 per cent a month, also knocks three zeros off the currency to create the New Cruzado (NCz) and ends inflation indexing in many areas of the economy.

Upon its success rests the future of the widely discredited Sarney administration, which still has 14 months left to govern before a new president, to be elected in November, takes office in March next year.

Congress has until February 15 either to accept or throw out the plan.

The programme is the most comprehensive and wide-ranging since the now notorious Cruzado Plan of February 1986, which also froze prices but collapsed in an inflationary surge nine months later.

It does not freeze exchange rates, but will instead allow continued daily devaluations.

Union leaders had threatened a general strike if the plan involved real reductions in workers' purchasing power.

It remained unclear yesterday whether the Government had succeeded in persuading them to accept its compromise proposals.

Widespread anticipation of the plan triggered frantic marking up of prices at stores and supermarkets last week, leading to speculation that January's inflation rate will be above 30 per cent.

Stephen Fidler in London adds:
Brazil, which last week requested support for the package in the form of a standby financing from the US of up to $3bn – similar to a $3.5bn standby to Mexico agreed in November – is also looking for some adjustments to the debt deal that it signed with commercial banks last year.

At a meeting in New York on Saturday, requested by Brazil, the country's officials met its main commercial bank lenders, headed by Citibank.

They outlined in broad terms proposals which included both a modification of a relending programme, where foreign bank funds frozen at the Central Bank are allowed to be lent back to Brazilian enterprises, and debt conversion programmes.


Sarney: comprehensive plan

AT&T likely to join consortium seeking to bid for GEC control

By Hugo Dixon in London

AT&T, the US telecommunications group, is expected to confirm later this week that it will take part in the consortium trying to bid for Britain's General Electric Company.

AT&T representatives were locked in negotiations over the weekend with Lazard Brothers, the merchant bank, which is trying to organise the bid for GEC. They are flying back to New York no later than today.

Under the deal which is thought to have been hammered out, AT&T would take a controlling stake in GPT, the 50-50 telecommunications joint venture between GEC and Plessey, a rival UK electronics company. This would value GPT at about £1.8bn ($3.2bn).

A formal decision from AT&T is expected after a board meeting which is being held in New York on Wednesday.

In a further development in the unfolding battle for control of Britain's electronics industry, Plessey served notice on GEC that, in its view, GEC had broken the two companies' agreement setting up GPT. It was therefore exercising its right to acquire GEC's share of GPT. GEC dismissed this move as "a pretty unconvincing technical argument."

Plessey contends that GEC broke the agreement by promising Siemens a 40 per cent stake in the unit in the event of a successful takeover of Plessey.

The agreement specifies that neither side should agree to do anything which affects the legal title to any interest in its shares in GPT. If either side breaks the agreement, the other can buy its share at a price to be determined by independent auditors.

Plessey argues that GEC has promised to vote its share of GPT in a particular way to fulfil its promise to Siemens. This breaks the agreement, according to Plessey, because voting rights are an important interest of a share.

Plessey is currently under siege from GEC and Siemens of West Germany, whose joint £1.7bn bid for the company was referred to the Monopolies and Mergers Commission at the end of last week. It is also being studied by the European Commission and the West German cartel office.

Lazard's chances of putting a consortium together were dealt two blows last week. First, STC, the UK's second largest electronics company, said it was unlikely to take part. Then, General Electric of the US, which had been in discussions with Lazard about a hostile bid for GEC, decided instead to form a series of friendly alliances with GEC.

The involvement of AT&T, however, would allow Lazard to launch a bid for GEC towards the end of this week. The other members of the consortium are Thomson of France, which would acquire part of GEC's defence interests, and Plessey, which would acquire most of the rest.

Tha remainder of GEC's businesses – mainly power engineering, domestic appliances, medical electronics and office automation – would be run by Sir John Cuckney.

Lazard's present intention is that Metsun, an off-the-shelf company whose only shareholder is Sir John, would offer its own paper for GEC. It would also contract with Thomson, Plessey and AT&T, which would buy various parts of GEC in the event of a successful bid.

Lazard decided on an all-paper offer after the referral of the GEC/Siemens bid, which made a referral of any Metsun bid inevitable. Lazard did not want to pay large up-front fees, which would have been needed to support a part-cash offer.

In the event of a Metsun bid being cleared, Lazard might reinstate a cash element. Barclays Bank is standing by to provide a £2.5bn bridging loan.

The involvement of AT&T is likely to prove politically controversial, with opposition MPs and back-bench Conservatives arguing that Britain's electronics industry is in danger of being carved up by foreigners.

Set against this, however, is the conviction within the British Government that GPT needs a foreign partner to survive in the long run.

Editorial comment, Page 10; Analysis, Page 11

Titans gather for the power game

By Hugo Dixon in London

THE TITANS of world electronics converged on London last week to take part in the climax of Act One of the restructuring of the European industry.

The curtain fell on Friday, as Mr Jack Welch, chairman of General Electric of the US, and Lord Weinstock, managing director of Britain'a General Electric Company, unveiled a four-pronged joint venture. Earlier in the week, Mr Welch had been thinking about bidding for GEC.

Mr Welch's conversion from contemplating a hostile carve-up to agreeing a friendly deal was a coup for Lord Weinstock. However, it is also clear that Mr Welch's talks with the other side had concentrated Lord Weinstock's mind.

This denouement followed a week of extraordinary events. Mr Alain Gomez, chairman of Thomson, had flown in from France, Mr Ed Fitzgerald, chairman of Northern Telecom, from Canada. Representatives from AT&T of the US were also in town.

These captains of world electronics spent the week locked in negotiations both with each other and with some of Britain's most powerful businessmen – Lord Keith, chairman of STC; Sir John Clark; chairman of Plessey; Sir John Nott, chairman of Lazard Brothers; and Sir John Cuckney, chairman of Westland.

Negotiations often continued right through the night as the participants manoenvred for position. The prizes were slices of Britain's electronics industry and an entry-ticket into Europe, where the industry is being dramatically reshaped ahead of 1992.

Last week's drama was the result of months of slow manoeuvring. At the centre of events was Lord Weinstock, whose ambitions for expanding his business both in the UK and throughont Europe over the previous decade had been frustrated by regulatory authorities.

Continued on Page 12

Drastic measures ordered to boost Soviet economy

By Quentin Peel in Moscow

A CRISIS meeting of the Soviet Council of Ministers, summoned to consider new ways of galvanising economic activity, boosting prodnction of consumer goods, and easing food shortages, has ordered "drastic measures" to cut state spending and force excess stocks of raw materials to be used in prodnction.

Few details of the package of measures were released yesterday, but the weekend meeting comes at a time when public dissatisfaction with shortages in the shops is causing growing alarm in the Kremlin.

Key moves ordered by the Council of Ministers, chaired hy Mr Nikolai Ryzhkov, the Prime Minister, include:

- Urgent action to cancel or complete billions of roubles worth of uncompleted construction projects.
- Measures to keep pay rises in line with productivity.
- The overhaul of food distribution organisations.
- A new drive to promote co-operatives – the fledgling private sector – in food processing and distribution.

No mention was made in the first official reports of a price control package, approved in outline 10 days ago by the ruling Politburo, nor of precise spending cuts to reduce the state's chronic budget deficit. However further details are expected in the coming days.

The meeting of the Council, the top organ of Soviet executive government, heard a string of gloomy statistics on the failure of slowly reviving economic growth to reduce consumer shortages, boost scientific and technical progress, or sava scarce resources.

A string of senior ministers, including Mr Nikolai Pugin, Minister of the Automobile Industry, Mr Nikolai Panichev, Minister of the Machine Tool Industry, and Mr Vladimir Lukyanenko, Minister of Chemical and Petroleum Engineering, and the Prime Ministers of the Russian Federation, Uzbekhistan, Kazakhstan and others, were publicly reprimanded for failing to supply consumer goods up to the state-planned targets.

The meeting heard that no significant progress had been made in reducing the number of uncompleted construction projects, with the value of such unfinished work up Rs5bn to Rs13bn in 1988.

On the question of producing and distrihnting fresh fruit andvegetables, the Ministers were told that the number of orchards and market gardens around the Soviet Union had slumped hy 30 per cent, or 830,000 hectares, over the past 15 years.

"People in the Moscow region have virtually ceased to engage in market gardening," Tass reported, "with 4,300 hectares out of 19,600 hectares remaining."

Urgent action must be taken to revive the sector, and to promote "co-operative forms of processing fruit and vegetable prodncts," they agreed. Another key field for co-operatives was as "intermediary trade co-operatives," to provide competition in the chronically inefficient food distribntion sector.

The renewed enthusiasm for co-operatives, the target of much public and official criticism in recent weeks for their poor quality and high prices, underlines the continuing divisions in the highest ranks of tha Soviet Government over the direction and emphasis of the economic reforms.

Soviet troops to quit Afghanistan on schedule, Page 2

Vienna accord seen as marking new era in East-West relations

By Judy Dempsey in Vienna

A MAJOR document covering human rights, military and security issues and economic co-operation was formally agreed by 35 countries yesterday in what is widely seen as a landmark in East-West relations.

The agreement, which was held up last week by a bilateral dispute between Greece and Turkey, opens the way for the start of new conventional arms rednctions talks as well as negotiations on confidence and security-building measures.

However, Romania, the one dissenting voice, said it would implemant only those provisions which applied to its constitution.

The Conference on Security and Co-operation in Europe (CSCE), which includes Canada, the US and all the European countries except Albania, had been meeting in Vienna since November 1986 to review the implementation of the 1975 Helsinki Accords.

During the two years of negotiations, the Soviet Union made significant compromises in terms of allowing more emigration, travel, and ending the jamming of Western radio broadcasts. It also agreed to a new mechanism in the CSCE which will allow individuals to monitor their governments' adherence to the Vienna document.

Mr Yuri Kashlev, head of the Soviet delegation, yesterday said the Vienna document would not have been possible without the democratic processes in the Soviet Union. "Without Gorbachev we would not have been in a position to work ont this historic document," he said.

This is a view shared by Mr Warren Zimmermann, the US ambassador. However, Mr Zimmermann added that the Soviet Union had persistently opposed every single proposal put forward by the West.

The Vienna document, compared with the original Helsinki Final Act and the follow-np Madrid conference in 1983, gives the individual substantially more rights, particularly in the field of religious freedom and travel. For example, governments would be ohliged to deal with urgent family reunification cases in three days. However, the document is not legally binding.

Mr Kashlev said yesterday the Soviet Union intended to bring national legislation into line with the Vienna docnment, which may entail a review of the criminal code under which political prisoners are sentenced.

Agreement on the draft final document was unexpectedly held np by a dispute between Greece and Turkey over what area of Turkey should be excluded from the new mandate talks for reducing conventional weapons. Foreign ministers are expected to approve the document.

CONTENTS

THE MONDAY INTERVIEW

Professor Fang Lizhi, world renowned astrophysicist, is often referred to as China's Andrei Sakharov and has not been afraid to speak out for greater freedoms and challenge his country's political authorities
Page 30

Moscow defends decision to rule disputed region

By Quentin Peel in Moscow

THE KREMLIN'S decision to impose direct rule from Moscow on the disputed Caucasian region of Nagorno-Karabakh is an unprecedented step forced by the inability of the Soviet republics of Armenia and Azerbaijan to end a year of ethnic strife, says the man named to run the territory.

Mr Arkady Volsky, special envoy of the Communist Party Central Committee to the region, will take over all local authority from the regional council and executive committee until new elections.

This is a snub to the nationalist ambitions of Armenians who have been campaigning furiously for Nagorno-Karabakh to be transferred to their republic from neighbouring Azerbaijan.

There is to be no change in the status of the region, whose majority Armenian population has been on strike for most of the last year to demand such a transfer. Even so, many Armenians are convinced that direct rule will lead to the region being taken from Azerbaijan.

For now, rule from Moscow will give the region effective self-government for planning, budget, material and technical supplies, and personnel appointments, Mr Volsky said, thus removing virtually all essential decisions from the Azerbaijan administration.

He defended the "reasonable and mutually acceptable compromise" in an article yesterday in Pravda, the central committee newspaper. "The problems in the region had become so large and urgent that the efforts of Azerbaijan and Armenia were not enough to solve it. The territorial claims of one nation cannot be resolved without frustrating the interests and rights of other nations. To do so would lead to a new storm of bloodshed and violence."

In recent weeks disturbances seem to have abated, with the imposition of virtual martial law in key towns.

A big investment programme, launched by Moscow last July, has been hamstrung by protests, and by accusations that each side was using projects for nationalist purposes.

Soviet Union makes offer on Barents Sea boundary

By Karen Fossli in Oslo

NORWAY has received an offer from the Soviet Union to "alter moderately" proposals for the most northern Soviet boundary in a 155,000 sq km strategically vital zone of the Barents Sea.

The zone has been the site of a boundary dispute between the two countries for 18 years. Moscow's offer signals a more flexible stance by the Soviet Union, which, one year ago, rejected an offer by Norway to administer the disputed zone as a joint area.

The dispute concerns a clear and decisive demarcation, and Moscow has insisted on a line following the meridian due north from the western edge of the Soviet coastline, while the Norwegians back a line equidistant from each country.

Norway has been willing to compromise, but hitherto, Moscow has refused because, it contends, the Norwegian formula would give Norway a disproportionately large share of the Barents Sea.

The Barents Sea, which has seen a build-up of the huge Soviet northern fleet, also represents Nato's strategically important northern flank.

Greenspan denies big rise in US inflation

By Peter Riddell in Washington

US INFLATION is not at present accelerating significantly, Mr Alan Greenspan, chairman of the Federal Reserve, claimed yesterday.

"But having said that, it is not all that helpful in determining what policy stance one should take," Mr Greenspan said in a newspaper interview."

He stressed, however, that "it really is important that we make certain that we don't allow inflation pressures to emerge. The central focus of what we are doing at the Fed is to keep inflation from accelerating - and preferably decelerating."

Mr Greenspan claimed a change had happened since the early 1980s which would keep a lid on prices and wages. Many forecasters had missed elements in the adjustment process such as tha impact of imports, and changes in labour attitudes, he claimed.

His comments came as the Bush administration, which takes office on Friday, completed key appointments at the Treasury. Mr David Mulford, an assistant secretary since 1984, has been promoted to Under-Secretary (international affairs), where he will be a central policymaker in dealing with co-ordination among the Group of Seven industrialised countries and with debt problems.

Mr Mulford's place as assistant secretary for international affairs is going to Mr Charles Dallara, who has been since 1984 the US executive director of the International Monetary Fund.

There is speculation that Mr Robert Hormats, a banker with long international experience, might join the State Department. Mr Donald Atwood, vice-chairman of General Motors, has emerged as the favourite to take on the role of deputy secretary of defence.

The importance of the defence budget for attempts to reduce the Federal budget deficit was underlined yesterday by Senator Jim Sasser, Democrat chairman of the Budget Committee.

He expected the Bush administration would cancel the 2 per cent real, inflation-adjusted, increase in defence spending proposed by the outgoing Reagan administration.

Soviet troops 'will quit Afghanistan on schedule'

THE commander of Soviet forces in Afghanistan said in a television interview broadcast yesterday that all his troops would leave the country by mid-February on schedule, Reuter reports from Moscow.

"By February 15 the withdrawal of Soviet troops from Afghanistan will be entirely completed," Lt-Gen Boris Gromov said.

Meanwhile, Mr Eduard Shevardnadze, Soviet Foreign Minister, said in ending a surprise visit to the Afghan capital, Kabul, that every effort was being made to ensure all Soviet troops would leave by February 15. This seemed to fall short of the general's firm commitment.

The minister also stressed that the Soviet Union would continue its arms supplies to the Kabul Government even after troops had left.

"Neither we nor President Najibullah [of Afghanistan] want the Soviet troops to be delayed," Mr Shevardnadze said in an interview with the Afghan news agency Bakhtar. His remarks were relayed by the Soviet news agency Tass.

"We are striving for the withdrawal to facilitate the reestablishment of peace and not to be the signal for new fighting," he said.

However, he added: "If a war is imposed on the Afghan government, it will be forced to counter with force of arms – and it has this force."

He seemed to be referring to the Mujahedin Afghan rebels who have fought the Kabul Government, with US and other aid, since the Soviet Union's intervention in Afghanistan in late 1979.

"The present regime has every opportunity to hold fast and, in case the war goes on, Soviet arms supplies will also be continued," Mr Shevardnadze said.

The first half of the estimated 105,000 Soviet troops had withdrawn on schedule at mid-August 1988, but there has been growing speculation that the full withdrawal might be delayed because of growing pressure on Mr Najibullah by rebels.

The rebels said last Monday they were breaking off talks on setting up a broad-based government with Mr Najibullah's People's Democratic Party of Afghanistan, and had rejected the Government's offer of a ceasefire.

According to reports by Tass, clashes have continued in much of the country and the rebels are now trying to stop supplies reaching the capital.

Belgium halts development plans in retaliation against Zaire

By David Buchan in Brussels

RELATIONS between Belgium and Zaire, its former colony, have taken a further turn for the worse, with Zaire renouncing its aid agreements with Brussels and stopping payments on Belgian loans. Belgium has responded by halting all new development plans in Zaire.

After a cabinet meeting on Saturday the Belgian Cabinet said it would carry out only aid projects already started in Zaire. It criticised Zaire's freeze on debt repayments to Belgium and rejected as "without foundation" the various complaints of President Mobutu and the *central committee of his ruling* Popular Movement for the Revolution party which last week held a special plenary in Kinshasa on relations with Brussels.

Mr Wilfried Martens, the Prime Minister, warned Zaire at a weekend press conference that its moves "would not contribute to its international credibility", and that measures such as its debt repayment moratorium and limits on landings in Zaire by Sabena, the Belgian carrier, "will frighten off other partner countries and would-be investors". It certainly appears to reduce the chances of Zaire reaching early agreement on new loan conditions with the International Monetary Fund.

However, Mr Martens said he was still willing to go ahead with a Belgo-Zairean ministerial conference planned for April in an effort to heal relations.

The row started in November when Kinshasa reacted angrily to e spate of Belgian press stories, timed to coincide with Mr Martens's trip to Zaire, about alleged corruption and incompetence among Mr Mobutu and his officials.

Subsequently, the Zairean Government requested its nationals to sell their assets and abandon their studies in Belgium.

But the real argument seems to centre on money. Kinshasa has already described as inadequate Mr Martens's offer to write off one-fifth of Zaire's debt to the Belgian state and to consider taking rescheduled repayments on Zaire's BFr17bn commercial debt underwritten by the Belgian state.

Zaire is now re-opening claims against Belgium predating the Congo'e independence in 1960, and has stopped current debt payments to Belgium while these old claims are re-assessed.

For its part, Belgium said this weekend that it regarded the pre-1960 claims as "a closed book", long settled by treaty between the two countries.

There are about 4,000 Belgians in Zaire, most of them working on aid programmes, and some 15,000 Zaireans in Belgium, of whom 3,000 to 4,000 are students, many on Belgian government grants.

Their personal status, and trade, could be affected by the latest turn of events. Zaire last week renewed its complaint about its relative lack of processing facilities for copper, much of which is refined in Belgium.

Martens: warned Zaire on its international credibility

Call to indict ex-mayor of Palermo

By John Wyles in Rome

SICILIAN magistrates have called for the indictment of Mr Vito Ciancimino, a former Christian Democrat party leader, who, they allege, had an illicit income in the 1970s exceeding L3.5bn (£1.5m) a year.

According to Italian press reports, the junior state prosecutor in Palermo, Mr Alberto De Pisa, is recommending prosecution of the man who was mayor of the Sicilian capital for a few months in 1970, on charges of association with the Mafia, corruption and illegal export of capital.

The case against Mr Ciancimino is of great potential significance in Italy since he was one of the handful of people who controlled the Sicilian Christian Democrat party from the mid-1960s to the early 1980s.

Judge De Pisa alleges that Mr Ciancimino used his position to further the commercial interests of the Mafia and that by means of bribes, shareholdings and collusion in the placing of public contracts, he was pocketing at least L300m a month in the 1970s.

Mr Ciancimino has been under house arrest since 1984 and details of the charges against him emerged on the same day that regional prose*cutors throughout the country* were opening the new judicial year with summaries of the state of criminality in Italy.

These were uniformly gloomy in highlighting the growing problems of drugs, juvenile crime and the activities of the ever-present Mafia.

● Mr Ciriaco de Mita, the Italian prime minister, met top union leaders at the weekend to open a dialogue aimed at averting a general strike called by the unions for January 31.

The unions have vociferously condemned the government's tax proposals as "iniquitous".

Stoltenberg rules out early German interest rate rise

By Andrew Fisher in Frankfurt

MR GERHARD Stoltenberg, the West German Finance Minister, has said he sees no cause for a rise in German interest rates at present, either for economic or exchange rate reasons.

He made the comment during his US visit to Washington late last week. In addition, he said currency developments in Europe did not make a realignment necessary in the European Monetary System.

Mr Stoltenberg's remarks thus appeared to rule out any possibility of a rise in the 3.5 per cent discount rate on Thursday, when the Bundesbank holds its fortnightly council meeting in Frankfurt.

Tentative speculation about a possible rise in rates this week has been sparked by the firmness of the dollar and the danger that a weaker D-Mark would hinder the fight against renewed inflation.

An indication of Bundesbank interest rate policy will come tomorrow when it decides which *method to use for its* regular securities repurchase ("Repo") agreements with commercial banks. The "Repo" rate has been kept at 5 per cent in the past few weeks, following the latest rise in the Lombard rate to 5.5 per cent.

Economists in Frankfurt feel the Bundesbank will await US developments before moving further on interest rates. A further tightening of US monetary policy, they argue, could prompt the German central bank into increasing its own key rates – the discount and the Lombard – to reinforce its more restrictive anti-inflationary credit policies.

Spanish air strike may disrupt flights this week

By Peter Bruce in Madrid

IBERIA, the Spanish national airline, is expecting to have to cancel hundreds of domestic and international flights this week, as a rolling strike by its maintenance staff begins to bite.

The airline'e maintenance union, Asetma, has struck eight times since Christmas, the last time on Friday, when Iberia was forced to cancel 133 of its 443 planned departures. *The strikes so far are thought* to have cost the airline Ptas2.5bn (£12.3m).

Further strike action is planned for January 20 and 27, and the union has threatened to continue in this vein until Easter. Asetma is striking to try to secure separate pay bargaining for its 800 members. The row with the maintenance men could begin to threaten the planned flotation on the stock market of a part of Iberia hy the Spanish Government next year.

Although the union is officially striking only on certain days, maintenance delays are affecting all flights.

The airline sacked 79 workers, including the entire strike committee, earlier this month, and their colleagues are now refusing to stand in for them, adding to delays in turning air*craft around. The sackings* have led to calls inside the union for the strike to be made indefinite.

Iberia has begum drawing in maintenance personnel from airports outside Spain, where it does technical work on its own aircraft. This is unlikely to prevent np to 100 flights a day being cancelled this week. The strike is particularly affecting Madrid and Barcelona.

E Europe discusses ecological time-bomb

By Leslie Colitt in Dresden

THE TWO Germanies put aside their ideological differences this weekend, as Europeans from East and West looked on with amazement.

Dresden, the wartorn East German arts and science centre, was the scene of an East-West conference on a common enemy – the destruction of the environment. Apart from war, Germans fear it more than any other threat to their survival.

In the luxurious Bellevue Hotel near the Elbe, one of Europe's most polluted rivers, politicians and scientists from both German states were in rare agreement: ideology was of little use in cleaning up air and water.

On the other side of the Elbe, Mitte Power Station blasted its gases into the air. Dresdeners say that, at night, even the ash filters are opened wide.

However, conference delegates made no mention of such visible offenders, nor was there any discussion about Dresden's only sewage treatment plant, at Kaditz and dating from the early 1900s.

The sewage passes untreated through the plant, which is "temporarily" shut down. A citizens' ecology group is battling to reverse the official ban on publishing relevant environmental data.

The group's water pollution testing equipment from the West was recently impounded.

Everyone attending the Dresden conference, organised by the West German Bergedorfer Discussion Group at Hamburg, knew that East Germany was on the brink of an environmental crisis.

What had changed was not the ominous reality outside, but East Germany's admission that it faced a big environmental challenge.

The East German authorities had publicly conceded nntil recently no more than that the country's dependence on highly pollutant brown coal for all its electricity had produced a "complicated" situation. However, an nppalling toll in damage to buildings and land – to health above all – forced a change.

The ruling Communist Party now acknowledges that something must be done quickly. Even so, it remains allergic to pressure from below.

The walls of tha Zwinger, whichhouses art treasures at Dresden, are being corroded by gases from the power station. East Germany claims to have no funds to instal extra anti-pollution "scrubbers", beyond the one now nearing completion in East Berlin, nor for appropriate technology from the West.

This is where West Germany enters the picture. The Bonn Government is prepared to provide East Germany with *anti-pollution equipment*, Mr Martin Gruner, West Germany Parliamentary Secretary for the Environment, said.

Some form of joint finance might be found later, if the dialogue between the two Germanies on political and humanitarian qnestions continues to show results.

Nona of the Germans was keen to talk at the conference about what could be embarrassing environmental details. As for other eastern Europeans – from Poland, Czechoslovakia, and the Soviet Union – they were not even mildly surprised by what they saw. Their own environmental disasters, they freely admitted, were far worse.

A study by the Polish Academy of Sciences has openly referred to 12m Poles living in ecological "emergency" areas. The worst are the Katowice coal and steel belt, and Krakow, whose nearby steelworks belches fumes. Europe's highest sulphur dioxide emissions were measured here. The death rate in the afflicted areas is twice the normal rate in Poland.

Small wonder that a Polish specialist attending the conference appealed for a European environment bank to finance an effort to rescue eastern Europe from its pollution.

The eastern Europeans look enviously on the East Germans because of their many links with Bonn. They also look to Bonn to help the East combat its ecological time-bomb.

Nato and Warsaw Pact pave way for stability talks

By Robert Mauthner in Vienna

THE "mandate" of the conventional force reduction conferees, which was adopted hy tha 23 Nato and Warsaw Pact countries in Vienna as part of the concluding document of the Conference on Security and Co-operation in Europe (CSCE), does no more than state the general objectives of the negotiators.

However, although the details of the substantive talks, namely the Conventional Stability Talks which are to start in Vienna at the beginning of March, remain to be decided once these begin, the terms of reference agreed at the weekend spell out important principles on which these later negotiations will be based.

Unlike the moribund Mutual and Balanced Force Reduction Talks, whicb have dragged on inconclusively for 15 years and must be formally ended before the Conventional Stability Talks can begin, the latter will cover the European area from the Atlantic to the Urals.

The subject of the negotiations will be the participants' conventional land-based armed forces. Naval forces and chemical weapons will not be involved.

The mandate document makes no *specific mention of military aircraft*, which the Soviet Union would like to see included, but which Nato wants to exclude.

The document is left deliberately ambiguous on how "dual-capable" weapons, which can be used in n conventional or nuclear mode, will be dealt with. It says only that no conventional armaments or equipment will he excluded from the negotiations "because they may have other capabilities in eddition to conventional ones".

Tha whole subject has been further complicated by the fact that these type of weapons "will not be singled out in a separate category". Ways to negotiate reductions of the conventional parts of dual-capable weapons have been left to experts.

The main objective of the negotia*tions will be to strengthen stability and* security in Europe by reducing conventional forces and arms to equal levels – a principle on which the Western states have always insisted. The 16 Nato members have also managed to include a specific reference in the mandate to the need to eliminate disparities between the alliance'e forces and those of the Warsaw Pact, as well as to eliminate, as "a matter of priority", the capability to launch surprise attacks.

The CST were enhanced last month when President Mikhail Gorbachev told the UN that the Soviet Union would make a unilateral cut of 500,000 personnel in its forces over the next two years and remove 10,000 tanks from the western part of the Soviet Union and three eastern European countries.

Peter Riddell adds from Washington: *The incoming Bush administration* yesterday signalled that it wanted a breathing-space to review its relations with the Soviet Union.

One result is likely to be a delay in the resumption of strategic arms talks beyond the previously arranged date of mid-February and to put back until the early spring, at the earliest, any meeting between Mr James Baker, US Secretary of State-designate, and Mr Eduard Shevardnadze, Soviet Foreign Minister.

Volvo's chief prepares for a challenge without a rush

Robert Taylor finds the most powerful employer in Scandinavia both relying on his home base and ready to adapt

AS HEAD of Volvo, Scandinavia's biggest company, for the past 17 years, Mr Pehr Gyllenhammar is a businessman with a coherent European strategy for the future. He was well aware of the growing challenge of the European Community to the Nordic area long before the EC'e commitment to the creation of an internal market by 1992. Indeed, he was a rare voice until recently in Swedish business circles because he was trying to alert everyone to what was happening on their doorstep.

As the most powerful employer in Scandinavia, he enjoys closer personal contacts with the European Commission in Brussels than perhaps even the Swedish Government *and he recognised at an early* stage that tha 1992 commitment would revitalise the EC in a way that its industrial competitors outside could not afford to ignore.

In an interview with tha Financial Times, he made clear that Volvo'e future lay inside the EC, whatever happened to relations between Sweden and the Community during the 1990s and beyond.

"We will take some quick moves to safeguard our presence and our identity in the EC," he insists, if Sweden and the EC fail to move closer together over the next few years. This would not involve the closure of any of the company's existing production facilities in Sweden but would mean acceleration in the movement of future key investments *to the Community.*

Mr Gyllenhammar argues that the recent decision to establish a finance company in the Netherlands must not be interpreted as the first sign of a pan-European programme that would mean the economic disengagement of Volvo from Sweden. However, nobody should doubt his determination to protect and extend the company's activities inside the EC.

"Volvo must invest where our markets and customers are. We have every intention of etaying in Sweden, bnt the company's growth will take place more in the Community.

"Wa already have car, truck and bus production inside the Community. We can adjust our capacity if necessary and concentrate even more of our resources there. There would be a problem with components but that would not be insoluble. We would establish our own component network inside the EC if we had to," he says.

Volvo bought Leyland Bus last year and so ensured that *the company prodnces* more than half its buses in plants outside Sweden and inside the EC. Now it is looking around Europe for acquisitions to add to its lucrative trucks division. With an estimated Skr24bn (£2.18bn) cash available, the company is well placed to launch n big bargaining programme and strengthen its western European power base.

Mr Gyllenhammar does not believe, however, that Swedish business should rush into the 1992 challenge. He dislikes what ha calls the "feverish interest" in all things EC that has gripped Sweden during the past 12 monthe after a long period of indifference.

For now, he is convinced that the Swedish Government will prepare the conntry through economic and fiscal change to harmonise with the EC. "The pace of change is quickening," he argues, pointing to the backroom work *being done between* government departments in Stockholm to ensure domestic legislation is devised in line with what occurs in tha Community.

Just over a year ago he differed pnblicly with his arch-rival in business, Mr Peter Wallanbarg, who had suggested Sweden should apply for EC membership. In Mr Gyllenhammar's view, that would be inept and unrealistic. He believes that, "for all practical purposes", Sweden will be inside the EC by 1992 because it will "do everything to adopt, adjust and harmonise."

He does not think that Sweden's political nantrality should prove an impossible obstacle to a new relationship with the EC, whatever many politicians on the left might suggest. In his opinion, it is *not in the EC's interests* to push Sweden into further isolation by making an issue out of the country's traditional foreign policy.

On the contrary, Mr Gyllenhammar believes the EC should want to maintain the country's economic and industrial daveiopment for the future well-being of western security.

Mr Gyllenhammar is also convinced that the EC will not develop as a protectionist club, which would burt Nordic trade. "I see no signs of Fortress Europe," he says. The speech at Bruges in November by Mrs Margaret Thatcher, the UK Prime Minister, had his cautious approval. "It had n sense of history and raised the classic issue about the balance between the need to preserve national sovereignty and that of wider co-operation."

On the other band, ha has deep sympathy for the views of Mr Jacques Delors, the EC Commission president, particularly on the need for a social dimension inside the Community, although be *has no desire* to see any co-determination system, in the West German style, foisted on to Swedish industry.

Volvo is easily the biggest private sector company in Scandinavia. For more than 30 years *it* has tended to dwarf the rest of the area.

However, it is no invincible giant. Mr Gyllenhammar's European strategy is tinged with more than a element of self-defence. In recent months there has been well-researched speculation in the Swedish business press about the company'e financial weaknesses, which could make it attractive to a potential buyer or rival group.

The respected Swedish business magazine Affarsvariden estimated that Volvo was worth SKr40-50bn instead of its stock market valuation of about SKr27bn. "We talk about our own vulnerability more openly than other companies talk about theirs," be admits. "Perhaps we send out signals to the market that are too strong. However, in the short term, there is very little we can do about the takeover possibilities."

Mr Gyllenhammar acknowledges that the company is undervalued, but he believes it deserves a mnch higher price-earnings ratio than that of a pure auto-maker because Volvo is more diverse, with food, financial and stock portfolio operations. "Financially we are very sound. We have never been in better shape."

He admits there are grounds for argument about the modest dividend that Volvo pays its shareholders – 14 per cent of profits compared with 26 per cent for the 22 Swedish companies with the highest stock trading volume – but Mr Gyllenhammar *adds*: "Our *policy* has never been to lower our dividends, even in rough times." However, Volvo's rather conservative attitude may well change.

The Volvo commitment to Europe seems to go far beyond a mere concentration on the company balance sheet. To Mr Gyllenhammar at least, coming to terms with the EC is part of a much wider idealistic commitment that will bring Sweden and the rest of the Nordic area into a new harmony with the rest of the continent of Europe.

1992 THE EUROPEAN MARKET

FINANCIAL TIMES

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OVERSEAS NEWS

REACTION TO HAY DAVIDSON REPORT

HK may amend securities bill

By John Elliott in Hong Kong

THE Hong Kong Government is considering amending its new Securities and Futures Commission Bill in an attempt to placate international and local brokers who fear the proposed watchdog will slow the colony's securities markets with over-regulation.

The amendment would be included in the introduction to the bill, published yesterday as the Government's main legislative response to the Hay Davison report on Hong Kong commissioned after the October 1987 world markets crash. Debates on the bill start in the colony's legislative council next Wednesday.

Under the amendment, the new commission would be required to promote the concept of self-regulation by Hong Kong's stock and futures exchanges, enshrining in the legislation a principle which the Government has said it wants to encourage. This could help to defuse a growing row between the stock exchange and the commission.

In its present form, the bill requires the commission only to promote the development and "efficient and orderly conduct" of Hong Kong's markets, to "secure the integrity of the participants", and to protect the investing public.

The exchange is complaining that the commission will have an excessively large annual budget of HK$140m ($18m) to pay for a staff of 225.

It fears that Mr Robert Owen, a former British diplomat and banker who is to be the first chairman of the new commission, is interested in creating a powerful regulatory body, rather than concentrating on the task of encouraging the exchanges to regulate themselves.

● Protests against plans for the Basic Law which will govern Hong Kong after the colony reverts to Chinese sovereignty in 1997 are likely to increase, after completion over the weekend of the law's second draft.

The draft will now go to China's National People's Congress for a further period of consultation before being published.

Drafters have introduced conditions which would make it more difficult for a proposed referendum to be held in the year 2012 about whether Hong Kong should have full electoral suffrage.

Liberals in Hong Kong want a referendum to be held immediately and argue that the new conditions might mean one is never held.

The meeting also failed to agree on designs for a flag and emblem to be used after 1997 from a shortlist of 12 designs chosen from 7,000 entries in a contest.

Argentina's ruling party candidate starts tour

By Janette Staubus in Buenos Aires

MR EDUARDD Angeloz, Argentina's governing Radical Party presidential candidate, arrives in Madrid today for the start of a five-nation tour of Europe. Over the next three weeks, he will meet government, business and trade union leaders in Spain, France, Italy, Switzerland and West Germany, and on January 26 will address the World Economic Forum in Davos, Switzerland.

Mr Angeloz's trip follows the European tour made by Mr Carlos Menem, the opposition Peronist candidate, in October and November of last year. Mr Menem is the favourite in the run-np to Argentina's May election. The most recent opinion poll gives Mr Menem 37 per cent of the vote, compared with only 30 per cent for Mr Angeloz.

The 30 per cent rating is a leap from the 17 per cent he received in polls taken three months ago. His growing popularity is largely due to his skill at distancing himself from the administration of President Raul Alfonsin, which is seen as a failure hy most Argentines.

Mr Angeloz has made clear that he thinks the Government has moved too slowly in dismantling the inefficient, deficit-ridden structure of state businesses. He is presently calling on the Government to give an explanation for the energy crisis currently crippling Argentina.

In Europe – where he will meet Mr François Mitterrand, the French President, Mr Felipe Gonzalez, the Spanish Prime Minister, Mr Helmut Kohl, the German Chancellor, and Pope John Paul II.

Mr Angeloz hopes to gain prestige and be seen as the guarantor of continued democracy in Argentina. According to sources at his campaign headquarters in Buenos Aires, he will advertise his orthodox economic policies and promote investment in Argentina, capital on which his Government's success would depend, were he to be elected.

Children among dead as Israel takes harder line on uprising

By Andrew Whitley in Jerusalem

THE FULL impact of the Palestinian uprising in the Israeli-occupied territories was finally felt at the weekend in Arab East Jerusalem, annexed by Israel in 1967.

Several troubled districts of the capital have been placed under curfew since last week, in what the authorities agree is a change of policy.

In the Silwan district, sandwiched between the Old City and the Mount of Olives, the security forces have taken advantage of the round-the-clock curfew to arrest suspected activists. Yesterday there was no indication of when the curfew would be lifted, and reports from the area said food supplies were running low.

In the meantime, Palestinian children as young as 12 years old have been among the exceptionally large number of demonstrators reported by local hospitals to have died over the past few days.

Hospital records show that eight youngsters have died of wounds resulting from army gunfire since Thursday alone. Two of them – Ahmed Abdel Salam from Tulkaram in the West Bank, and Hanadi Abu-Sultan, a resident of the Beach refugee camp in Gaza – were not even teenagers.

Several of the victims were shot in the head and chest at close range with ruhber and plastic-coated steel hullets, reflecting what appears to be a change of instructions on opening fire. Witnesses to recent confrontations in the West Bank and Gaza Strip say soldiers are opening fire much more readily nowadays, presumably reckoning that the results will not be fatal.

Rising concern at the number of deaths from plastic bullets emerged at yesterday's Cabinet meeting, where a senior Labour politician, Mr Moshe Shahal, asked Mr Yitzhak Rabin, the Defence Minister, what guidelines were in force for their use. Before resorting to plastic bullets, Mr Rabin was the butt of criticism from ahroad over methods used to quell the unrest.

Perez names Venezuela's cabinet

By Joe Mann in Caracas

MR Carlos Andres Perez, Venezuela's president-elect, at the weekend announced the names of key members of the Cabinet who will be installed when he assumes office on February 2.

The Ministry of the Interior, the country's second most important job after the presidency, will be held by Mr Alejandro Izaguirre, 64, who is now secretary general of Democratic Action (AD), the ruling government party. The Ministry of Foreign Affairs will go to Mr Enrique Tejera Paris, 69, an AD official who has held a wide range of international posts.

The top ministers in the area of economic activity will be Ms Eglee Iturbe de Blanco, Minister of Finance, Mr Miguel Antonio Rodriguez, Minister of Planning, Mr Celestino Armas, Minister of Energy and Mines, Mr Moises Naim, Minister of Development and and Ms Fanny Bello, Minister of Agriculture.

Ms Iturbe, 49, formerly was president of a commercial bank and currently is Vice Minister of Finance. Mr Rodriguez, 35, is an economist and university professor who is a key economic adviser to the president-elect.

The incoming president reportedly will name Mr Edgard Leal, a Venezuelan oil industry executive, to be in charge of renegotiating the Government's $25.6bn foreign debt. Mr Leal, formerly a banker, is currently president of Bariven, the overseas purchasing arm of Venezuela's national oil company, PDVSA.

Mr Perez broke with recent custom by naming most of his Cabinet prior to taking office. Among the 20 persons appointed are a number of new faces on the Venezuelan political scene and businessmen who in the past have called for wide-ranging reforms in the Venezuelan government.

For example, Mr Naim, a 36-year-old professor at Venezuela's most prestigious graduate school for business studies, IESA, has been a longtime critic of government inefficiency in Venezuela. He has been given the task of actively promoting industrial growth by running the highly-bureaucratic Ministry of Development.

Two other appointments announced by the president-elect were defence, which will be held by the present Minister of Defence, Gen Italo del Valle Alliegro of the army, and the presidential chief of staff, which will go to Mr Reinaldo Figueredo Planchart, 50, a former president of Venezuela's Foreign Trade Institute and a close adviser of Mr Perez.

Portugal's Socialist Party elects new chief

By Diana Smith in Lisbon

PORTUGAL's mnch-delayed constitutional review now enters a more active phase after emergence at the weekend of a new Socialist leader, Mr Jorge Sampaio.

As Portugal's second largest party, committed to streamlining an over-centralised economy, the Socialists are instrumental in parliamentary debate and approval of a scheme to reduce the Marxist element in the 1976 Constitution that upheld sweeping nationalisation and clipped the wings of the private sector.

Mr Sampaio, a lawyer and senior Socialist, was yesterday elected Secretary-General by two thirds of delegates at a special Congress called after abrupt resignation from the leadership of Mr Vitor Constancio, a prominent economist and former Governor of the Bank of Portugal.

Claiming he had been undermined inside the party, Mr Constancio stepped down after steering crucial constitutional review talks between his party and the ruling Social Democrats that were a prelude to full parliamentary debate.

The debate could not begin until the Socialists found a new leader.

Mr Sampaio is considered a European-minded, pragmatist eager to bring success to his party, whose strong support in the 1970s fell to just 24 per cent of the votes in the last election.

EC ministers in talks on conflict

By Andrew Whitley

MR Francisco Fernandez Ordonez, the Spanish Foreign Minister and current president of the European Community's Council of Ministers, held talks with Israeli leaders yesterday, amid mounting Israeli allegations of European bias in favour of the Palestinians in the Middle East conflict.

The Spanish Minister, who said be was on a fact-finding mission, will be followed to Israel soon hy Mr Roland Dumas, the French Foreign Minister, and Mr William Waldegrave, Britain's Foreign Office Minister.

Mr Waldegrave had talks with Mr Yassir Arafat, leader of the Palestine Liberation Organisation, in Tunis at the weekend. It was the first meeting between a British minister and Mr Arafat, and Mr Waldegrave afterwards urged Israel to grasp the opportunity for a peace settlement.

He said even Mr Yitzhak Shamir, the Israeli Prime Minister, was once regarded as being involved in terrorism before taking part in peaceful institutions. "They [the Israelis] should have confidence that there are people on the Palestinian side who can take the same courageous step," he told BBC radio.

Israeli leaders are worried by the prospect of being pushed into negotiations by the Europeans. Dn the eve of the Spanish minister's visit, Mr Shamir spoke ont in exasperation at west European attitudes.

"The Europeans say in advance that the end result is a Palestinian state, and this negates our existence as a state," he said.

Killings report contradicts Government

By Our Caracas Correspondent

A multi-party subcommittee of the Venezuelan Congress released a report at the weekend which suggested that 14 fishermen were massacred by Venezuelan soldiers and security police in a border incident, and contradicts government assertions that the dead men were dangerous terrorists killed in a shootout.

The shooting deaths occurred on October 29 on a branch of the Arauca river in an isolated section of the border between Venezuela and Colombia.

Venezuelan military and security chiefs involved in the operation said that the men were heavily-armed guerrillas who planned to blow up Venezuelan oil installations in the area and kidnap cattlemen to obtain ransom.

A military judge recently ordered the arrest of the 20 men, including soldiers and security police, who fired on the fishermen.

The incident has caused a political flap for the outgoing government of President Jaime Lusinchi, and has raised questions about the activities of Venezuela's security police.

European Union advocated

By Edward Mortimer

A EUROPEAN Union, based on the present Community hut including a common defence and foreign policy, is advocated in a report* published today hy a group of senior British foreign policy experts.

The group was chaired by Sir Michael Palliser, a former Permanent Under-Secretary of the Foreign and Commonwealth Office, who contribntes a foreword. Its members include such impeccable establishment figures as Sir Anthony Kershaw, formerly chairman of the House of Commons Foreign Affairs Committee, Sir Bernard Burrows, formerly Britain's Permanent Representative to Nato, and General Sir Hugh Beach.

All are said to support the "broad thrust" of the report, written by Mr Christopher Layton, which sketches a bold and broad-ranging strategy for Europe, going well beyond what the present British Government seems willing to envisage.

Western Europe, it argues, should "seek to develop a common security relationship with the Soviet Union and eastern Europe," playing a full part in future East-West arms reduction agreements and adopting "non-aggressive defence postures and technology, plus a minimum deterrent" as the "basic common doctrine for the western Alliance in Europe."

In an interim phase, west European conntries should integrate their defence hy establishing a common market for defence equipment, while a "hard core" of states willing to do so would "develop security and foreign policy co-ordination" through existing institutions.

"Western European Union could usefully be strengthened and reformed, so that it becomes the organ for European consultation before Nato Council meetings." WEU would thus "act as a bridge between the EC and Nato," while Nato's European activities (Eurogroup and the Independent European Programming Group) would become WEU's "operational arms".

In the second phase, starting in 1992, a new Treaty, approved by both the European Parliament and member states, would bring defence and foreign policy into the Community, enahling France and Spain to join the defence arrangements of their European partners "without further inhibition".

The US, it is suggested, would "find a major shift of this kind towards greater European strength and unity more acceptable than niggling minor attempts to modify the balance of the Alliance".

The Council of Ministers would "invite their general staffs to draw up a European Defence Concept, in dialogue with the Americans," possibly assigning different defence roles to different member states.

The report also advocates developing political and economic links with eastern Europe, leading eventually to full membership for East European countries which accept "basic democratic liberties and political human rights".

The Soviet Union, as a major world power, "would not be an appropriate member" of the EC, even if it became democratic," but it would be natural, then, for the Community to develop a special relationship with it", as with the US.

**A Step Beyond Fear: Building a European Security Community. Federal Trust for Education and Research (1a Whitehall Place, London SW1A 2DA), Price £5.*

Veil lifted on Managua's parlous finances

By Tim Coone in Managua

FOR the first time since the Sandinistas came to power nine-and-a-half years ago, the veils have been lifted on the parlous state of public finances in Nicaragua.

In his first budget speech to the National Assembly late last week, Mr William Hupper, Finance Minister, revealed that during 1988 the public sector deficit amounted to 27 per cent of GNP which was financed entirely by monetary emission.

It was the biggest deficit since the Sandinistas came to power in 1979, and largely explains the almost surrealistic inflation rate – an estimated 50,000 per cent last year.

In presenting the 1989 budget, Mr Hupper said that "there will be a drastic reduction of spending" this year and that "major efforts will also be made to broaden the taxation base and increase government income". Tax evasion by the self-employed and agricultural producers "has become generalised", he said, adding that these sectors will be specially targeted by tax inspectors this year.

This year's deficit is to be reduced from 51 per cent of total spending in 1988 to only 12 per cent of a planned budget of Cordobas 285bn in 1989.

(It was left unclear the precise exchange rate being used but it is thought to be about Cordobas 200-300 to the US dollar).

Mr Hupper said that this year's deficit would not be financed by monetary emission but by foreign donations and by the Central Bank which in turn would "recover" the necessary Cordobas 35bn from the nationalised banking system through foreclosure of loans.

The budget figures provided some interesting insights into government bungling on economic policy. Sixty per cent of total government income comes from the taxation of petrol, tobacco, alcohol and soft drinks.

The sharp fall in aggregate demand during 1988, precipitated by the elimination of consumer subsidies and the freeing of price controls, is thought to have produced an uncalculated parallel slump in government income, due to the high dependence for revenue on indirect consumer taxes.

When pressed by opposition legislators on whether spending cuts this year might not deepen the slump and further throw out revenue calculations, Mr Hupper could give no reassurance other than to say that direct taxes would rise.

The Government is likely to run into stiff opposition from agricultural producers if the budget plans are carried through. The calling-in of Cordobas 35bn in loans will hit farmers who are the biggest users of bank credit.

A simultaneous effort to make them pay taxes could spark a farmers' rebellion, paralysing farm production on which the country depends for its export earnings.

The more probable scenario is that the Government will back down in the face of threats to cut production, as it has in the past, and resort once again to monetary emission.

Some 36 per cent of this year's budget is to be spent directly on defence and security, a reduction on previous years. This may have to be adjusted depending on the progress of peace talks and a political accommodation with the US.

Uganda presses for Amin's return

UGANDA is to step np diplomatic pressure for the extradition of Mr Idi Amin, the former dictator, from neighbouring Zaire, government sources said on yesterday, Reuter reports from Kampala.

The Kampala Government wants to question the deposed leader, who slipped out of exile in Saudi Arahia early this month, about human rights abuses and killings.

Officials say that Mr Amin could face charges relating to his eight-year rule from 1971 when hundreds of thousands of Ugandans are estimated to have died in massacres.

Mr Amin flew to Kinshasa from Saudi Arabia, where he had been living in exile since being driven out of Uganda in 1979. Zairean authorities said he used a false Zairean passport. Zaire refused to allow Mr Amin to enter the country, and flew him to Senegal in a private jet, to enable him to catch a Saudi Arabian flight from there last week. But Sandi authorities barred Mr Amin from boarding the plane and he was returned to Kinshasa.

SHIPPING REPORT

Demand still high in most areas

By Kevin Brown, Transport Correspondent

DEMAND remained high in most loading areas last week. Rates softened slightly overall, but brokers said there was still no sign that reduced ontput quotas agreed by the Organisation of Petroleum Exporting Countries had taken effect.

Most of the bnsiness reported in the Middle East Gulf was for very large crude carriers (VLCCs). Around 15 such fixtures were reported, representing around 4m deadweight tonnes. However, around 35 vessels of some 10m dwt remain available for January liftings.

Brokers said most of the husiness was fixed between Japanese charterers and owners. Typical deals were 245,000 tonnes to Japan at New Worldscale 59, and 220,000 tonnes to the same destination at New Worldscale 62.5

Iranian charterers were again in the market for VLCCs for delivery to the West. Some of these deals were privately arranged, hnt brokers said most fixtures were being concluded at around New Worldscale 59.

Elsewhere, business was said to have remained strong in the West African loading areas, where the old Worldscale system is still in use. Rates fell slightly, but several million barrel vessels were reported to have been fixed for North American delivery at around Worldscale 80.

Rates fell more heavily in the Mediterranean and the North Sea, where there was said to be an oversupply of available tonnage.

Charterers were paying just over New Worldscale 100 for the 80,000 tonnes cross-Mediterranean voyage, and around New Worldscale 140-145 for the typical stem of 67,000 tonnes from the UK to Northwest Europe.

Cold day in Tehran that marked the end of an era

Andrew Whitley and **Anthony McDermott** look back 10 years to the fall of the Shah

TEN YEARS ago today an era came to an end. The Shah of Iran, Mohammed Reza Pahlavi, accompanied only by Empress Farah and a few retainers, left Tehran for "a holiday abroad". He was tired and in need of a rest, the 59-year-old ruler explained to his weeping generals, gathered at Mehrabad airport to see him off, as they always had.

Although the Shah and his supporters were convinced where the blame lay, the US did not take any credit for engineering the departure of one of its closest allies, an absolute monarch who had ruled his land for over 37 years. The Carter Administration was much too muddled in its goals towards Iran for that, although there was coup talk in the air, encouraged as it later transpired by Mr Zbigniew Brzezinski at the National Security Council, but.

Indeed, until the last minute the US embassy was debating the niceties of clause of the constitution the Shah would leave under – holiday or some sort of regency arrangement.

But almost all of those present at the airport that bitingly cold day must have known the Shah would not return.

In the face of the awesome demonstrations – 2m, perhaps even 3m-strong – which had become such a regular feature of the social calendar that winter, the army was crumbling fast.

In those last days of the ancient regime, *le tout Tehran* joined in the awesome rivers of humanity which streamed down the hills from the swankier northern suburbs, and upwards from the bazaar district and meaner quarters stretching south towards Qom.

All would converge on central Shah Reza Avenue and head out to the monument the Shah had built to mark 2,500 years of the Iranian monarchy. For weeks, Mr William Sullivan, the US Ambassador, and Sir Anthony Parsons, his British counterpart, been urging the listless monarch to leave the country – in the interests of preventing further bloodshed.

Precious time was lost as the Shah painstakingly went through the legal motions of creating a Regency Council and appointing another Prime Minister.

Not that there were many contenders for the post. The fiery blasts emanating from Ayatollah Ruhollah Khomeini in Paris made sure of that. The man who eventually agreed to make the transition possible, Mr Shahpour Bakhtiar, an old-school nationalist, became the Kerensky of the Iranian Revolution.

Minutes after being sworn in by the Majlis, the Iranian Parliament, he flew to the airport to see the Shah off. His term of office lasted less than a month. There had been no definite word in advance that this would be the day, the climax of an 18-month-long campaign first to cut the Shah down a few pegs and then, only later, to push him off his perch.

So, when the two helicopters clattered across Tehran from Niavaran palace in the direction of the airport few paid them any particular attention. The day had begun like every other for months: with the search for petrol, the unwitting rich paying people to queue their cars up for the fuel.

The former Shah

Ayatollah Khomeini

The oil workers' strike may have been a decisive weapon in the revolution, but it certainly hampered the movements of those, like the hundreds of foreign journalists in town, who needed to get around and see for themselves what was happening. Agha Mehdi, the slow-witted but loyal FT driver from the Arabic-speaking, oil-rich part of south-west Iran, was thus at his usual place, waiting hopefully beside the office Paykan in an enormous, snaking queue.

When the Shah's Boeing 707 finally roared off into the sky, the monarch himself at the controls, there was a brief, incredulous pause for breath. Then the radio flashed the news and the huge city, spread over the snow-covered Elborz Mountains, exploded with joy. Cars crammed full of cheering men and women – some, for the first time, openly carrying guns – raced up and down Pahlavi (soon to be renamed) Avenue.

Where before soldiers had had to endure abuse, in that afternoon of social happy convulsion they were ducking from sweets being thrown at them as they rode by as newborn heroes.

The FT, through its close connection with the BBC, made its own contribution to the revolution – much to the discomfiture of the British embassy. BBC broadcasts both in English and Farsi were closely listened to. The FT/BBC's telephone number was written up on the walls of the bazaar for those who wanted to feed in information about arrested relatives, Kurds or political developments in distant parts of the country.

In an inspired touch straight out of a Jacques Tati film, one Peykan drove past with its beplumed owner's windscreen wipers waving rhythmically to the thickening crowds. There was even one flamboyant renegade who rode down the white line in the centre of the road between the otherwise stationary, hooting cars, standing on the seat of his mega-motorcycle, waving as he went. Kisses for foreigners from veiled ladies were dispensed.

Newspapers brought out special editions. One used its largest type, the kind reserved for the outbreak of World War Three, to print a two-word banner headline "Shah Raft" – the Shah has gone.

Whatever was going to happen next – and no one, not even Ayatollah Khomeini's closest aides, knew – for one day did not matter.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

	Nov '88	Oct '88	Sept'88	Nov '87	% change over previous year
US	117.1	116.6	112.1	111.5	+5.0
W Germany	108.8	108.8	108.0	103.8	+2.8
Japan	118.5	113.7	114.9	107.3	+8.8
	Oct '88	Sept'88	Aug '88	Oct '87	
UK	111.1	111.4	111.0	108.7	+2.2
France	106.2	109.7	109.8	103.7	+2.4
	Sept'88	Aug '88	July '88	Sept'87	
Netherlands	110.0	107.0	112.0	104.0	+5.8

Source: (except US) Eurostat

UK NEWS

CBI/FT DISTRIBUTIVE TRADES SURVEY

Sales slow as rates rise begins to bite

By Ralph Atkins, Economics Staff

RETAIL SALES growth eased in December, and retailers are gloomier abeut trade this month than in any period for at least five years, according to a survey released today.

The Confederation of British Indestry/Financial Times distributive trades survey suggests that the steep rise in interest rates last year may have started to hite. However, it will he several menths before any change in trend in the strong growth rate since summer is clear.

The survey comes at the beginning ef a week rich in statistics on the UK economy, including figures for inflation on Friday.

London's financial analysts will be looking for signs that ecenomic grewth is slowing and inflationary pressures abating in the run up to the March Budget.

A further guide to retail sales at the end of last year will come from Department of Trade and Industry figures published today.

Other figures include average earnings, meney supply, and manufacturing output.

The CBI/FT survey shews that growth in sales volumes last month fell shert of retailers' expectations and was less rapid than in November.

However, sales were still relatively strong, suggesting that retailers' werst fears ahont Christmas trade did not materialise. Volumes ceuld have been boosted by new year price-cutting being brought forward into December.

Mr Nigel Whittaker, chairman of the survey panel, said the survey suggested it was "a disappointing Christmas" for some retailers.

He said: "While the majority of retailers reported that sales were higher than a year ago, a significant minority reported lower snles. There was undoubtedly a marked moderation in the rate of sales growth in the final months of last year."

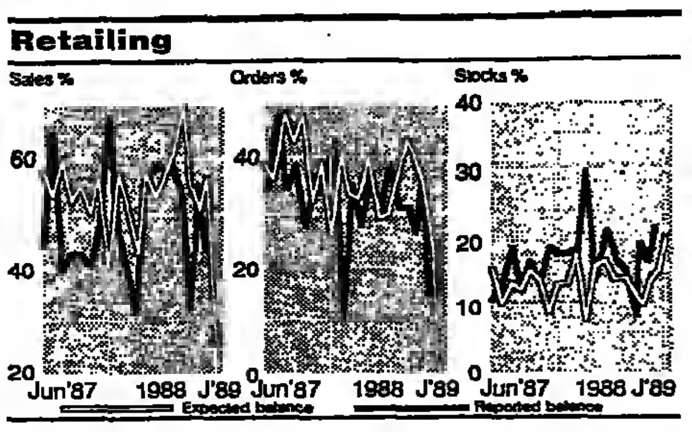
Out of 273 retailers replying, 61 per cent reported sales volumes were higher last month than in the corresponding month a year before. Some 18 per cent said they were lower.

Expectations fer January were far more pessimistic than forecasts for December and lower than for any month since the survey began in 1983.

Of the respondents, 45 per cent expected sales to be higher this month than the corresponding peried a year before, while 19 per cent expected n fall.

The survey shows that retailers expect enly modest growth in erders this month.

Wholesalers are more pessimistic about January than at any time since December 1984, but motor traders are optimistic that sales growth will remain steady.



Figures hint at slackening of trade boom

RAPID GROWTH in retail sales may be showing the first signs of running out of momentum, according to the CBI/FT survey, writes Ralph Atkins.

The figures follow several menths in which the results have jumped around and often conflicted with signals emerging from retail sales figures puhlished by the Department of Trade and Industry.

Christmas and publicity surrounding attempts by Mr Nigel Lawson, Chancellor of the Exchequer, to use interest rates to slow consumer speoding might have affected sales and retailers' expectations. Bringing ferward January sales to December might alse hava distorted the figures.

The survey shows that 45 per cent of retailers expected sales this month to be *higher than the corresponding period* a year before, while 19 per cent forecast a fall. The difference between the two percentages, a balance of +26 per cent, was the lowest ever recorded.

Mr Nigel Whittaker, chairman of the survey panel, said: "Expectations suggest that higher mortgage rates have really begum to bite but the bringing forward of new year sales may have overstated their impact to some extent."

For December, the balance reporting that sales were higher than the corresponding period a year ago was +43 per cent – less than expected when retailers were surveyed last month.

December's balance was also lower than the balance of +54 per cent noting increases in November but higher than the +32 per cent in October. During the summer, the balance reporting sales increases often approached +60 per cent.

The survey shows that a balance of just +3 per cent expect to place more erders in January than the corresponding period a year before – the lewest ever recerded. That compares with n balance of +15 per cent reporting increases in December.

A question about whether sales were good for the time of year showed that December figures were not as good as in November and retailers foresaw n further deterioratien in January.

For both December and January, grocers were most positive about sales growth. Retailers ef househeld textiles, furniture and carpets were ameng those reporting lewer sales in December than a year ago.

Securities houses face costly law on records

By Kenneth Gooding

UK SECURITIES houses face substantial costs because of plamned legislation which may require them in some circumstances to provide transcripts of all the tapes which routinely record telephone conversations in their trading rooms.

Ooe large securities house said the requirements would not only be extremely costly but would also be "a nightmare for compliance officers." Each securities hause has a compliance officer whose job it is to make sure that all the rules are fellowed.

The securities house said the planned rules could start a new husiness for qualified tape translators and transcribers in the City of Loeden.

The potential scale of the prohlem has been hrought home recently by the Department of Trade and Industry (DTI) investigation into possible insider dealings in shares of Consolidated Gold Fields, diversified mining gronp, in the six months ahead of the hostile £2.9hn hid by Minorco, Sonth African-controlled investment company, last September.

DTI inspectors have told members ef the Securities Associatien, part of the City of Londnn's self-regulatory structure, that all records, documents, tapes and office diaries relating to any transactions in Gold Fields shares during the whole of 1988 should be "held in safe custody."

The securities houses' more general concern stems from Section 51 of the Companies Bill currently making its way throegh parliameet. Ameng other things, the Bill strengthens the powers of DTI inspectors.

Employers look abroad for recruits to prepare for 1992

By David Thomas, Education Correspondent

LARGE BRITISH cempanies are considering recruiting graduates from Cootinental Europe in a bid to prepare themselves for the single market in 1992 and also to get round the decline in 18-20 year olds expected in the early 1990s.

British graduate recruiters are also increasingly worried about the reverse process – large Continental companies seeking to recruit British graduates.

Only a few pioneering companies have taken n firm decision to recruit Continental graduates for their UK training programmes, hut the idea has recently emerged as a serious issue among large employers. Initiatives under way include:

● ICL, Britain's largest computer company, is aiming to take 70 Continental graduates this year, divided between two programmes.

ICL hopes to recruit 20 Continental graduates as part of its nermal annual scouting visits to British universities. It is also asking its Continantal subsidiaries to supply about 50 graduates for a naw British-based international training programme.

These 50 graduates will spend e year in Britain training as managers before returning to the ICL subsidiary in their home country. Mr Peter Forbes, ICL's head of graduate recruitment, said the move was integral to ICL's plans for 1992.

"Within three years or so, it will be just as comfortable for us to recruit graduates from Düsseldorf or Madrid as from Aberdeen or Manchester," Mr Forbes said.

● Peat Marwick McLintock, the accountancy group, is stndying the options fer recruiting a considerable number of graduates on the Continent and then bringing them to Britain to train as chartered accountants.

Mr Philip Kirkby, the firm's Brussels-based director of professional development, points to two advantages. First, Britain is almost unique in Europe in allowing arts graduates to train as chartered accountants. This means the proposal should be attractive to arts graduates in countries such as West Germany.

Second, a recent EC agreement on mutual recognition of professional qualificatiens means that Continental graduates, once qualified in Britain, can secure recognition as chartered accountants in their home country. Mr Kirkby said Peat Marwick was likely to launch the scheme next year.

● British Steel is among a small group of employers which has recently started recruiting graduates for its UK training schemes from universities in Ireland, one of the few countries in Europe not expected to suffer a demographic downturn in 18-20 year olds.

Ms Helen Perkins, chairman of the Association of Graduate Recruiters and until recently in charge of graduate recruitment at British Steel, said: "I expect to see many more British recruiters catching aircraft to Dublin for the Milk Round (scouting visits) this year."

This upsurge in interest has led to the formation of Fedora, a pan-European association of university careers officers and graduate recruiters.

A series of seminars has also been held in London on international graduate recruitment.

The first, recently attended by almost 100 careers officers and graduate recruiters, was told of worries by British blue chip companies that British graduates were wide open for recruitment by their Continental competitors.

A major concern was the rate of salaries.

Peat Marwick told the seminar that its starting salaries for graduates were £9,350 in London, compared with £12,000 in Belgium and the Netherlands, £15,000 in West Germany and France, and more thae £22,000 in Switzerland.

Unilever chief warns companies over single EC market

By Christopher Parkes, Consumer Industries Editor

BRITISH companies which are not already established in markets on the European continent face an uphill struggle if they want to succeed there after 1992, according to Mr Mike Angus, chairman of the UK half of Unilever, Anglo-Dutch censumer prodncts group.

"If they are thinking about starting from scratch, then I think they have left it too late," he said in a recent interview.

He also warned that European Community officials and politicians were doing the Community and themselves a disservice by insisting that completien of the internal market necessarily entailed the introductien of an international currency and a European bank. "It's a load of baloney," he said.

"It is like being offered a game of chess with a woman and told this will lead to marriage."

Directors of many large businesses had asked him what they should do to prepare for the demolition of trade barriers and market harmonisatien. "All I can say to them is 'do you realise the enormity of the task in front of you?'

"They need the cadre of European management we have huilt over tha past 50 years. They need to learn the languages and how te deal with bankers, taxation and government."

Unilever started its preparations in 1962, more than 10 years before Britain joined the EC, Mr Angus added.

Manufacturing of many of its products, such as detergents, soap, chemicals and vegetable oils was already being concentrated in large factories to service the whole community.

According to Mr Mike Heron, European regional director, it was not often realised that the long process of disposing of unwanted businesses and refining the group's interests down to "core" interests had been almost entirely a European phenomenon.

Unilever's European operations had been through "a lot of pain," he said. In 10 years the UK workforce had been reduced from 90,000 to 38,000, with up to 30,000 of the job losses attributable to productivity increases.

The story was similar in the Netherlands, with West Germany and France also affected.

The 'big brand' people, Page 8

France joins telepoint licence bid

By Lisa Wood

COMPAGNIE Financière Pour La Radio Téléphene (Cofira), the French telecommunications company, has joined the Telecom Corporation, a consortium set up to bid for a telepoint licence in the UK.

Eleven groups, mainly consortia, have put forward proposals for telepoint, the mobile telephone service to be launched in Britain this year.

The service has aronsed a high level of interest mainly because of the financial success of cellular car telephones.

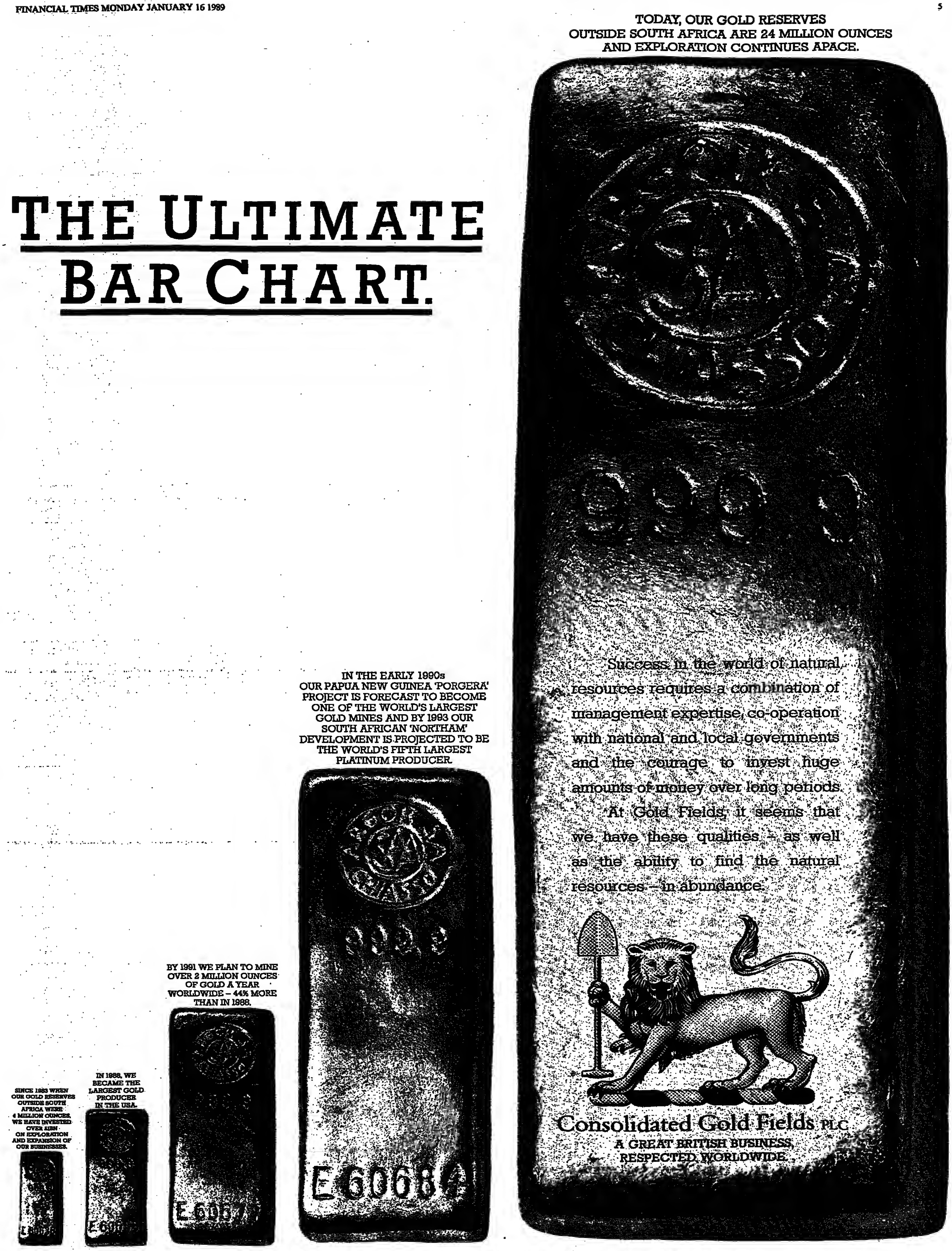
The Government has set a limit of four telepoint licences.

Cofira is licensed to set up a competing cellular network to France Telecom in France.

France Telecom recently joined British Telecom's consortium hid for a telepoint licence.

Mr Michael Davis, chairman of The Telecom Corporation, said: "I see the involvement of Cofira as another successful step towards Britain leading a European and werld market for telepoint which was invented in Britain.

"Britain has moved fast to open the telepoint opportunity by issuing licences and I'm pleased that our company is being picked hy leading Europeans as a partner for a British 'first' to be developed abroad."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UK NEWS

Tories face battle over ID cards for soccer fans

By Charles Hodgson

THE GOVERNMENT is bracing itself for a political storm over the much-criticised plan for compulsory identity cards for football fans when the bill paving the way for the scheme is published tomorrow.

The bill, to be introduced in the Lords, is assured of a rough reception at Westminster, where a substantial number of Tory backbenchers have joined Opposition MPs to protest against the plan, and a crossbench alliance of peers is expected to seek big changes.

The scheme, proposed by Mr Colin Moynihan, Sports Minister, with strong backing from Mrs Margaret Thatcher, has run into fierce opposition. Objection have come from a range of public bodies, including football authorities, supporters' clubs and players, the Police Federation and data protection authorities.

The British Tourist Authority will today join the protest, warning that the scheme will discourage foreign supporters and affect off-season tourism.

Mr Roy Hattersley, Labour's Home Affairs spokesman, yesterday issued a lengthy statement accusing the Government of seeking to "look tough" but failing to address the fundamental issue of violence outside football grounds.

Roy Hattersley: issue is violence outside grounds

Critics of the scheme argue that the introduction of security measures, such as closed-circuit television and a ban on the sale of alcohol, has sharply reduced trouble on the terraces and that the main difficulty is violence outside the grounds.

Mr Hattersley said the membership scheme, which would require supporters to carry a computer-readable card to be fed through a terminal at the turnstiles, would lead to delays and frustration at the gates, increasing rather than reducing the risk of violence.

Mr Neil Kinnock, the Labour leader, is to meet representatives from the football world today to discuss co-ordinating opposition to the scheme.

The Government said yesterday that fans in Scotland would not be forced to join the scheme.

The proposal has again raised suggestions that some form of compulsory or voluntary national identity card scheme should be introduced.

Mr Douglas Hurd, Home Secretary, is understood to be considering the introduction of a voluntary system and is due to meet the Association of Chief Police Officers, which favours a compulsory national scheme.

Mr Hattersley indicated that Labour would support a voluntary national identity card.

A private member's bill providing for a compulsory identity card tabled by Tory backbencher Mr Ralph Howell will be debated next month.

Nuclear safety 'will not be sacrificed'

By David Green

NUCLEAR SAFETY will not be sacrificed for the sake of economy when the electricity supply industry is privatised, a senior Central Electricity Generating Board official has told the Hinkley Point C nuclear power station inquiry.

Mr Richard Taylor, head of the board's health and safety strategy branch, said that from a commercial view it was imperative that nothing occurred to prejudice the future of nuclear generation.

He believed that would apply as much to National Power, which will own all the nuclear power stations in England and Wales after privatisation, as it did to the present CEGB.

Objectors to the Hinkley project suggested last week that, under privatisation, profit might influence the allocation of money to safety measures.

Mr Crispin Aubrey, for the main regional opposition group, Stop Hinkley Expansion, said safety measures cost more in the nuclear industry than in other industries.

Mr Patrick Hanson, for the Electrical Power Engineers' Association, claimed the Government's Health and Safety Executive would scrutinise the industry's attitude to safety in the run-up to privatisation.

Promise to cut public sector waste of energy

By Philip Stephens, Political Editor

MR CECIL PARKINSON, the Energy Secretary, yesterday promised a government campaign to reduce energy waste in the public sector.

Speaking on BBC Television, Mr Parkinson said the promotion of energy conservation and efficiency would be a vital plank of government plans to protect the environment.

Emissions from coal-fired power stations are seen as one of the key factors behind the dangerous warming in the earth's atmosphere – the so-called greenhouse effect.

Mr Parkinson rejected recent comments by Mr Nicholas Ridley, the Environment Secretary, that fast expansion of nuclear power should go ahead on environmental grounds.

Mr Ridley's statement is known to have provoked considerable annoyance in the Department of Energy and Mr Parkinson yesterday emphasised that the Government's commitment to nuclear energy went no further than to maintain the 15-20 per cent proportion contributed to total electricity generation by nuclear power. Mrs Margaret Thatcher fully agreed with that.

He also ruled out unilateral action by the UK to reduce significantly emissions from its coal-fired stations. Unless it acted in tandem with a wider international effort, such a move might seriously disadvantage the economy.

The campaign to promote fuel efficiency in central and local government was last week accepted at a meeting of senior ministers. The public sector spent about £18bn each year on energy and Mr Parkinson said he wanted savings.

Airworthiness check finds wiring fault in Boeing 757

By Kevin Brown, Transport Correspondent

A BOEING 757 operated by the holiday airline Air 2000 was found to have faulty wiring yesterday after airworthiness checks ordered by the Civil Aviation Authority.

The checks followed an incident in the US when a fire in the rear cargo hold of a Royal Brunei Airlines 757 was wrongly indicated to the pilot as being in the forward hold.

A similar fault was subsequently identified on a Delta Airlines 757 after checks ordered by the US Federal Aviation Administration.

The Air 2000 aircraft was flying again last night after the fault was rectified. The CAA said it was "a simple matter of two plugs in the wrong sockets, which has the effect of giving wrong information to the pilot."

Air 2000 is part of the quoted Owners Abroad Group. It was set up last spring and operates two Boeing 757s, mostly on charter flights to popular Mediterranean destinations.

The CAA said it had given a clean bill of health to 39 of the 44 UK-registered 757s. Checks on two more were expected to be completed by this morning. Two other aircraft are undergoing long-term maintenance.

The CAA said the checks on Boeing 757s were unrelated to the disaster at Kegworth last week, when a British Midland Boeing 737-400 crashed on the M1 with the loss of 44 lives.

The crashed aircraft is being pieced together by the Transport Department's Air Accident Investigation Branch (AAIB) at its research centre at Farnborough, Hants, but no conclusions are expected soon.

The aircraft's two CFM-56 engines, made by General Electric of the US and Snecma of France, were being dismantled yesterday under heavy security at Snecma's plant at Villaroche, south of Paris.

Two AAIB investigators were working with French technicians in a workshop where all windows and all but one door had been welded shut to prevent interference with the engines.

The Transport Department said the investigators were still trying to find out the sequence of events that caused the aircraft to crash.

Reports that Captain Kevin Hunt, the pilot, had been cleared were described by the department as premature, although it was emphasised that that did not mean that evidence of pilot error had been found.

The CAA said checks had revealed no faults in the wiring systems of the four UK-registered Boeing 737-400 aircraft, 33 737-300 aircraft, and a number of Airbus A320 aircraft with CFM-56 engines.

Checks on the engines themselves have been ordered to be completed within 50 flying hours. No faults have yet been found.

● Mr John Prescott, Labour's transport spokesman, called for a top-level conference on aircraft security after newspaper and television reports on shortcomings at Heathrow.

Tougher rules for civilian air shows

By Michael Donne, Aerospace Correspondent

TOUGHER RULES for the conduct of British air shows will be introduced from the end of this month.

The move comes in response to public concern about accidents that have occurred at overseas air shows, such as that at Ramstein, West Germany, in August. In that display, 69 people were killed when an aircraft ploughed into the crowd.

In future, civilian air show organisers must get written Civil Aviation Authority permission and comply with any special conditions laid down, while civilian pilots will be allowed to take part only if they have CAA authorisation.

The CAA will check, before granting permission, that the organiser is properly qualified and has competent organisation and staffing.

The CAA will also need to be satisfied that pilots are suitably experienced and physically and mentally fit before granting any display authorisation.

Where foreign military aircraft are planning to participate in civilian air displays, the CAA will consult the Ministry of Defence as to the acceptability of the proposed display.

The rules will not apply to the MoD's establishments (including those used by the US Air Force and visiting forces), which cover the biennial Farnborough air shows organised by the Society of British Aerospace Companies but held on the MoD's premises at the Royal Aerospace Establishment.

The MoD already controls air displays on its own property, (whether the organisers are civilian or military), with rules that are regarded as "at least as stringent as those now introduced by the CAA."

Request for EC regional aid to total about £2bn

By Hazel Duffy

THE GOVERNMENT will this spring be submitting to the European Commission regional plans which it hopes will qualify for about £2bn of assistance over the next three years.

For the first time, it will also be asking Brussels to contribute regional help for Gibraltar. Proposals have been agreed upon by the Gibraltar Government and discussions can also be expected to take place with the Spanish Government.

Under the new regulations for the European regional development, social and agricultural funds – known as the structural funds – governments of the European Community must submit plans after consulting with their local and regional authorities.

The amount available to the three funds will have doubled by the end of 1992. They are the main instruments through which Brussels hopes to redress some of the regional imbalances in the Community.

As well as having more money at their disposal, the arrangements aim to give more continuity to regional development by concentrating resources and assuring their flow over several years.

About 80 per cent of the regional development fund will be distributed to the underdeveloped parts of the Community, mostly southern Europe, but also all of Ireland. The UK still hopes to do well out of the fund under the section that identifies older industrialised areas as candidates for aid.

Kent and the Nord/Pas de Calais region of France will be submitting projects for assistance related to the Channel tunnel. A special fund of up to Ecu 100m a year has been set aside in the regional total to aid cross-frontier projects.

Whitehall is also supporting plans put together by local authorities in inner London in an attempt to gain access to the fund. The participation of local authorities in the process has been insisted upon by Brussels, somewhat to the embarrassment of the UK Government, which had been reducing their role in economic development. Most of the authorities involved are Labour-controlled.

It is the European Commission, however, not Community governments, that will decide on the areas that will be candidates for Brussels money. As well as parts of London, areas in West Yorkshire, Nottinghamshire and Derbyshire, which are not designated areas of assistance by Whitehall, hope to be included.

The qualifying regions are expected to be identified by the Commission next month. UK local authorities and Whitehall will then begin drawing up plans for submission. About 20 such plans will be put together in the UK and sent to Brussels in March, with Brussels officials deciding by September.

Most of the regional development fund will go towards infrastructure projects. The social fund is concerned mainly with funding training. Assistance towards investment in marketing and processing agricultural products comes from the agricultural fund.

Architects to seek £1.2m for advertising campaign

By Philip Rawstorne

ARCHITECTS throughout Britain are being asked this week to help raise £1.2m to fund a national advertising and marketing campaign for the profession.

"The current poor public image of architects is damaging the future business of the profession," says a campaign prospectus issued by a Pioneer Syndicate of 31 firms of architects.

The campaign, endorsed by the Royal Institute of British Architects and other architects' organisations, is partly a response to the controversy stirred by Prince Charles and others about the the quality of postwar buildings.

The profession is concerned that it is losing traditional business to surveyors, design-and-build operators, interior designers and other design consultants.

An estimated 30 per cent of new projects undertaken by contractors do not involve architects.

"Even the design of of buildings is no longer the sole preserve of architects," says the prospectus. "New marketing-driven consultants have penetrated the design services sector."

Research commissioned by the Cities of London and Westminster Society of Architects in 1987 showed that 41 per cent of reponding clients believed other professionals could offer an equivalent service to architects. Of these, 73 per cent specified surveyors.

The latest RIBA quarterly construction forecasts and job leads survey predicts: "1989 will see an end to the very high levels of growth of new commissions seen recently."

New office work will drop by 15 per cent, it forecasts, and retail commissions by 8 per cent. The housing, industrial and public sector markets will be generally static.

Only 34 per cent of architects surveyed expected more work this year, compared to 49 per cent in the previous quarterly survey.

Industry 'in dark' on gas

BRITISH industry has been "kept in the dark" over cheaper gas prices enjoyed by many of its European rivals, according to the head of the Office of Gas Supply, the Government-appointed watchdog.

Launching a report comparing industrial gas pricing policy in Britain and other EC countries, Mr James McKinnon, Ofgas director general, says today: "Our industrialists have been kept in the dark too long by British Gas over prices paid for gas by their competitors at home and abroad."

The report shows that industry pays more for gas in Britain and West Germany, where prices are not regulated, than most other EC countries.

Larger users are particularly hit – those consuming 1m therms a year paying between 28p and 34.5p a therm in Britain last year. In the Netherlands they paid the equivalent of 16.6p a therm; Italy 18.6p; France 23.9p and in Belgium 20p.

All those countries have a price-regulating system but in the UK gas is sold on a competitive free market basis subject to upper and lower limits.

Ulster jobs fillip in DHSS move

HUNDREDS of jobs for Ulster are due to be announced today by Mr Tom King, Northern Ireland Secretary. The jobs follow a government decision to decentralise processing of social security claims from London.

Hundreds of jobs for Glasgow and Wigan are also expected to be announced in simultaneous press conferences.

Anderson Strathclyde may make further closures and cuts

By James Buxton, Scottish Correspondent

ANDERSON Strathclyde, the mining equipment subsidiary of Charter Consolidated, is studying options for its future in the light of a recently completed review.

There is already deep concern among unions in the company that it may be planning further rationalisation and cuts.

Anderson Strathclyde, which employs about 2,000 of its 3,500 worldwide workforce in Scotland, has been seriously affected by the reduced purchases from British Coal, which accounts for a large part of its market. The company makes long-wall coal cutting and tunnelling equipment.

Since Charter Consolidated acquired Anderson Strathclyde in 1983 for £92.5m after a bitterly contested takeover which was referred to the Monopolies and Mergers Commission, the company's mining equipment sales have suffered from the effects of the 1984-85 coal miners' strike. It now faces the prospect of a one-third cut by 1992 in the number of British Coal's deep-mined coal faces.

To cope with falling demand the company has closed a plant at Kirkintilloch, near Glasgow, and sold another at Glenrothes, Fife. But Charter Consolidated said the rationalisations had not borne the fruit that had been hoped for.

Anderson Strathclyde lost £3.25m in the year to September 1988. Charter Consolidated is concerned that the return on the capital it invested in Anderson Strathclyde has been less than 1 per cent, against a group target of 20 per cent. It gives the company a net worth of only £34m.

Mr Ian Little, deputy chairman and chief executive since 1980, abruptly left the company in November, to be replaced by Mr Jeffrey Herbert. That came shortly after Sir Michael Edwardes took over as chairman of Charter Consolidated. Sir Michael is deputy chairman and chief executive of Minorco, which holds 36 per cent of Charter.

Mr Herbert recently told the workforce from Anderson Strathclyde's three remaining Scottish plants that the company was considering its options in the light of the long-term review, which consultants completed in the autumn. He said there would have to be changes but gave no warning of closures or redundancies.

Charter Consolidated said there would not necessarily be cuts in plant and the labour force but it did not rule them out.

Mr Campbell Christie, general secretary of the Scottish Trades Union Congress, said recently that "any cutbacks that restricted the capacity of Anderson Strathclyde to tackle world markets in the future would be disastrous for the Scottish engineering industry." He said there were fears in the company about Charter Consolidated's intentions.

LEGAL COLUMN

The rise of the staff lawyer with progress towards one happy family

By A.H.Hermann, Legal Correspondent

IN THE NOISE of battle fought between the Bar and the Law Society, between "independent" barristers – please note the newly introduced description – and solicitors fighting for privileges and monopolies as outdated as the wigs, a third and silently rising category of lawyers gets easily overlooked.

They are the in-house lawyers, some 2,000 solicitors and 1,000 barristers on the staff of companies, central and local government, trade unions and all sorts of other public and private bodies.

In the US, staff lawyers attained an important position some 30 years ago. It is different in Europe.

Even though in Germany the "syndicus" has both professional status and an important role to play, in France and Italy until recently lawyers lost professional status on entering industry.

The UK is somewhere in between. Until recently, staff barristers were treated by the Bar as untouchable. They were not allowed to go to court, not even to the lower courts open to solicitors. If they wanted to brief a practising barrister – one working in chambers – they had to go through a solicitor. The Law Society also prohibited them from carrying out conveyancing, even for their employers.

That last restriction fell together with solicitors' conveyancing monopoly: under certain conditions, staff barristers are now allowed to do conveyancing for their employers.

The Marre report on the future of the legal profession helped them to advance also on the other front.

The Bar Council recognised them as practising barristers, subdividing those, however, into two categories of independent and employed barristers. That re-labelling makes hardly any difference – staff barristers are still kept apart – but the Bar has also revised its Code of Conduct in their favour.

From January 1 1989, employed barristers have been able to appear in lower courts and may brief an independent barrister without having to go through a solicitor.

The Bar and the Law Society try to justify their reluctance to allow staff lawyers to provide to their employers the full range of legal services of which they are capable by using the argument that the employed lawyers owe their allegiance to the employer and not to the court as is the case with the independents.

There seems to be little substance in that argument. The employed lawyer would think twice before doing something unethical or lie to the court, as it would damage his professional status in the same way as it would that of an independent barrister or solicitor.

True, the staff has only one client, his employer, and his interest will become identified with those of the employer, depending on the security of employment and the way he is treated by the organisation.

That is, however, not essentially different from the situation of a solicitor or barrister specialised in a certain field of law, and dependent very much on the satisfaction of his clients.

The fact that the independent lawyer has several clients does not make much difference: if he upsets one, the other will soon learn about it.

The duty to the court does not always prevent independent lawyers from being creative, comforting a desperate client by propositions, arguments and appeals unlikely to impress the court. Indeed, it is often the staff lawyer who has to keep the independent whom he commissioned on the narrow path of virtue, that is, within a budget.

The power which this gives to the individual staff lawyer employed by a large corporation – and consequently to the staff lawyers as a group – is well explained by Karl J. Mackie, a lecturer in law and social psychology at the University of Nottingham, in a book published today.

The growth of the staff lawyer's branch of the profession must be taken in part as a failure of the legal profession in its traditional form to service business need adequately, or at least to do so in an efficient and effective manner, writes Mr Mackie.

The old–time links between managers and independent lawyers still survive where the company is too small to justify a legal department of its own. In the world of big companies however, it is the staff lawyer who is the client of the independents, and he is in a much stronger position than was the manager, or the rich family client, because he understands the law business.

If he does not understand all the intricacies of a particular legal field right away, he will certainly learn it in a couple of years, picking the brains of not one, but several independents.

The rising staff lawyers' group is represented in the UK by the Bar Association for Commerce, Finance and Industry, and the Commerce and Industry Group of the Law Society.

There are also more specialised associations of lawyers employed by the government and public bodies.

Similar professional associations of staff lawyers have existed in the US since the early 1950s and they mushroomed in Europe in the 1970s.

It would be wrong, of course, to assume that the rise in the status of the staff lawyer is due solely to his power to hire and fire the independents. He also fills a gap which was left open by the independent branches of the profession.

As Mr Mackie emphasises in his book, these are used to *react* to problems which their clients bring to them. That is particularly true of the English profession; attorneys in independent practice on the European mainland still act often as the company adviser whose duty it is to keep it out of trouble.

Such preventive lawyering in the UK has been partly substituted by the services offered by accountants, but in large companies is the main task of the legal departments. Mr Mackie, who analyses this differentiation of functions on the basis of numerous interviews conducted in the UK and in Australia, labels the function of the in–house lawyer as *pro–active.*

The other important function left to the staff lawyers to perform, is the translation of legalese and of the intricacies of the legal system into plain language understandable by managers.

Staff also have, of course, their drawbacks and weaknesses. One of them is the danger of being drawn into the committee type of decision making which plagues large organisations. The most cautious proposal is likely to prevail and the most cautious proposal is not always the best.

The other danger is thet the head of the legal department will not find it easy to tell the chief executive that there is no go for his pet project.

Given the differentiation between the functions of the independents and of the in–house lawyers, is there really any reason why the Bar and the Law Society should feel the need to keep staff lawyers out of bounds? The fear that they will take business away from the independents, concludes Mr Mackie, is no longer justified. He found in his interviews that "the general feeling was that the increasing numbers of in–house lawyers had altered the character rather than the amount of work available for private practice . . . The routine work of drafting and checking contracts had disappeared but it had been replaced by the increasing flow of specialist requirements . . ."

And so, all lawyers can now be one happy family.

Karl J.Mackie, Lawyers in Business and the Law Business, Macmillan Press, 289pp.

LEGAL APPOINTMENTS

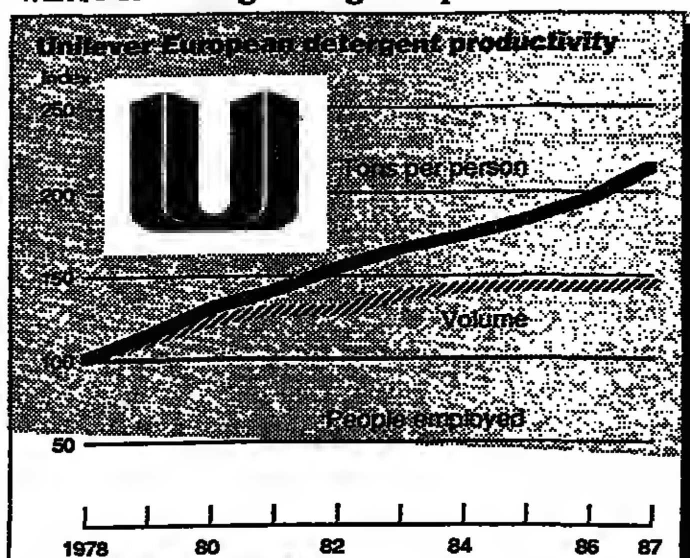
INTERNATIONAL APPOINTMENTS

MANAGEMENT

Consumer trends

'In the end we are big brand people'

Christopher Parkes continues his series on Unilever by examining its strategies for North America and Europe, where it faces growing complexities created by the erosion of traditional mass markets



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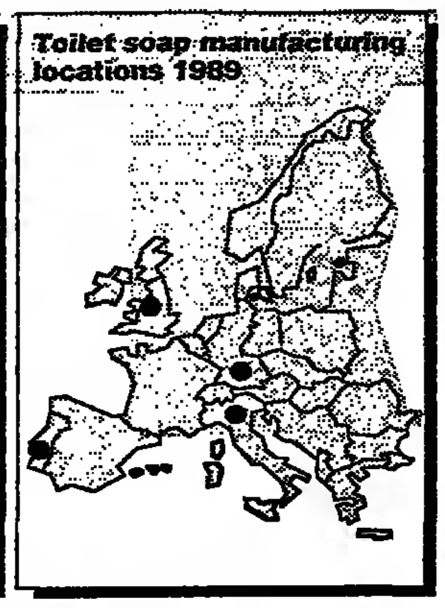



Mike Heron

Demographics, more than deadlines like 1992 and the scramble to meet them, is evolving into the single greatest influence on the strategies of the world's consumer goods makers. "This is not something in the stars or imaginary. It is revolutionary and arithmetical," says Mike Heron, European regional director of Unilever.

The population of Europe has grown by 63m in the past decade, but it will increase by less than 10m between now and the end of the century. And, according to Evelyn Morgan, an associate at accountants Peat Marwick McLintock, the continent will have 25 per cent fewer 15-to-24-year olds, 37 per cent more middle-aged people in the US and 25 per cent more in Japan.

Add in a shift which means that from 20 per cent at present, the proportion of one-person households in the industrialised west will go up to 30-35 per cent, and the head starts to swim.

Unilever, the largest consumer products company in the world, has found its own way of dealing with the basic European head-count problem. It has recently switched Turkey and its 50m population, currently growing at 1m a year, from its overseas directorate, and put it in Heron's portfolio.

But the group and its competitors face a far more complex task as they adapt to meet and match the changing habits which will accompany the ageing of Europe and America. They also have to contend with fragmentation which is threatening to erode traditional mass markets, and growing demand for less heavily-processed foodstuffs which in itself conflicts with rising pressure for even more "convenience" — both factors closely linked to demographic change.

The most urgent question exercising most consumer packaged goods makers is the possibility of reconciling the logistical demands and merits of economies of scale in these nominally huge markets, with the special needs of complex, fast-moving marketing-led businesses.

Unilever gives a graded response. Its speciality chemicals business is a clear case for scale economies. In common with other chemicals companies, its capital intensive nature and its production of components common to a wide range of industries make it the ideal candidate. Accordingly, output of its oleochemicals, special starches, adhesives, fragrances and flavours has long been managed on a global basis.

Toilet soap output has also been rationalised. From 13 in 1973, the number of factories in Europe next year will be down to three with a finishing plant in Portugal. In the US, a factory at Hammond, Indiana, will turn out 100,000 tonnes of bar soap a year when a current extension scheme is complete in 1990. Four US detergent plants make 1.1bn tonnes of powder and liquids a year and the number of work hours per tonne has been cut from 4.7 in 1983 to 3.1 last year; a further 10 per cent reduction is planned.

Procter & Gamble, meanwhile, still has 10 factories, after closing three in the past five years.

Tea packing is another likely candidate for concentration in both Europe and the US.

Similarly, oil refining for the core margarine business lends itself to focused operations. Four main plants crush 25 per cent of the European rape and sunflower seed crops. But although the group accounts for about 30 per cent of global margarine production and 50 per cent in Europe, each country or region has its own expensive manufacturing and packing plants. In Europe, with 14 factories each trying to work at full capacity, there have been some tentative but unsuccessful attempts at co-operation.

There are product differences, such as Britain's preference for salty spreads, and the fact that Lätta in the UK is a polyunsaturated fat product but not in the Netherlands. But Britain's Flora and France's Fruit d'Or are basically the same. "We could make for them, and they could make for us," says Guy Walker, chairman of Van den Berghs, if it were not for differences in packaging.

"Every time our British marketing boys have a bright new idea it inhibits our ability to serve overseas markets."

Mike Heron gives an indication of the way future developments may move: "In the end we are big brand people and the quality of our decisions and how we structure ourselves means we shouldn't fiddle around. Give a brand manager half a chance and he'll fiddle around with any number of small ideas."

The case of the Timotei shampoo bottle illustrates the problems. Although ingredients vary around Europe, to suit varying climates and hair types, the bottle is the same everywhere . . . except in France. There, marketing staff decided the cap needed tweaking, added a millimetre or so, and unnecessarily complicated central pack sourcing and potential for cross-border supply.

By its nature, batch processing (commonly used in personal products and especially in food), as opposed to continuous operations (in chemicals and detergents), offers reduced scale economies from focused manufacture. Costs of distribution and stock holding also weigh heavily. "Speed of response and servicing of markets may give more advantages for us," says Mike Perry, main board director responsible for world personal products.

Distribution costs are relatively low with high-value, low-weight products like personal products, so the savings on focused manufacture are reduced accordingly. Production accounts for only 7 per cent of total costs in this sector, compared with marketing's 30 per cent.

As things stand, the group is making the most of its bulk-buying power for raw materials, food ingredients, packaging and equipment. There may also be strategic shufflings coming up to extract economies in the toothpaste business, which logically belongs in the detergents division. Procter and Colgate have already centralised European output of dispenser dentifrice which demands costly equipment. Even so, Unilever is still hesitant.

Mike Perry outlines the central dilemma: "I am very much of the mind that people's habits and preferences vary a bit between Wigan and Palermo, and it doesn't cut much ice with the lady if we are seen to be ignoring it," he says.

Heron supports him: "If we forget the importance of local selling and marketing we will rue the day."

There is no fundamental conflict between these views and the more forceful declaration of Mike Angus, UK chairman: "We are aiming at focused, flexible production and fewer production units. The old national organisation of Unilever companies omnipotent in their own markets is going to have to change. They will no longer necessarily control their sources of supply."

The task in hand is to flex the group's structure to meet all these criteria.

However, neither Unilever, nor any of its international rivals can ignore the need to cater for the multiplicity of local preferences: that Italians still spread more mayonnaise than margarine on their bread, that people who soap and scrub themselves as much as the Americans have no need for Euro-bubble bath and deodorant body sprays and that while the Japanese will eat only dark chicken meat, Americans would rather go without if they cannot have the white.

As Heron insists, success will go to the company which sticks closest to its customers. "There are no prizes for getting ahead of the market," he says.

In current and future conditions, there is ample evidence that market fragmentation will continue and even accelerate. In the US, for example, major companies are only just coming to grips with a country which has as many as 100 distinct regions with clear local preferences.

Robert Womack, vice-president of Tyson Foods of Arkansas, told a recent Peat Marwick conference in London that the demise of mass media in the US was as clear a sign as any of what was happening. National network television, which reached 90 per cent of US homes in the 1970s, was now received in only 70 per cent, and was increasingly being squeezed by local cable systems. National magazine circulations were at an all-time low.

Of the many thousands of new food products launched in the US in the past five years, only eight had sustained annual sales of $100m. Unilever's Ragu spaghetti sauce among them, which turns over $500m a year, is marketed differently in 60 different regions.

The possibility has to be considered that rather than France and Germany changing their dietary ways to move closer to the established mass market patterns of the US and Britain, with the food and distribution industries following the evolutionary path to concentration seen in the past in these countries, the opposite could be the case.

All Unilever's preparations to shift up a gear in the food industry, which already accounts for about 60 per cent of group sales, indicate a major thrust into the new market for convenience foods, especially ready meals which need no more processing than heating and eating. It is already well-placed in the frozen sector with the Birds Eye brand in Britain, Iglo elsewhere in Europe and Findus in Italy. But it sorely needs a presence in the US, and has yet to move anywhere in the fresh and chilled market which is widely tipped as the main future growth area in all developed countries.

Even though it has some suitable brand names, it has yet to show the manufacturing flexibility needed to switch from product to product at short notice. There are distinct trends which show that consumers demand a rapidly changing menu.

While certain staple processed foods are likely to retain their popularity, added value on the scale demanded by Unilever and its like increasingly lies in the type of short shelf-life recipe dish pioneered in the UK by Marks and Spencer.

For manufacturers of Unilever's size, geographical spread, ambition and operational habits, this could imply either acquisition of local specialist manufacturers or technological advances which will allow it to serve these new markets from its existing structure. To serve the US nationally, for example, Lipton Foods wants technologies which will give shelf lives of 35 days. Present limits of between seven and 10 days demand access to the sort of network needed for the distribution of dairy foods.

Because large reputations are at stake, scrupulous discipline is essential in distribution if the leading food makers are to prosper in these markets. The recent egg poisoning scare and concern over listeria in ready meals in the UK amply illustrate the perils. Since such discipline cannot yet be guaranteed in the more fragmented US and continental shipping and retail trade, manufacturers must bear all the burden of care.

Meanwhile, the market remains untapped. Domestic penetration of microwave ovens — ideal for the heat-and-eat sector — has raced away, reaching 75 per cent in the US and 40 per cent in the UK. But there are still relatively few meal-type products with which they can cope effectively, even though they are often labelled microwaveable.

Microwaveable products are being introduced at the rate of 400 a year in the US, but few last long. Foods for microwave ovens now account for 2 per cent of US grocery spending, but at the last count half of all sales in this sector were accounted for by popcorn.

Peanuts it may be, but under pressure from Unilever, Nestlé, Kraft and Campbell's — all international majors seeking similar ends — the market is certain to grow at speed.

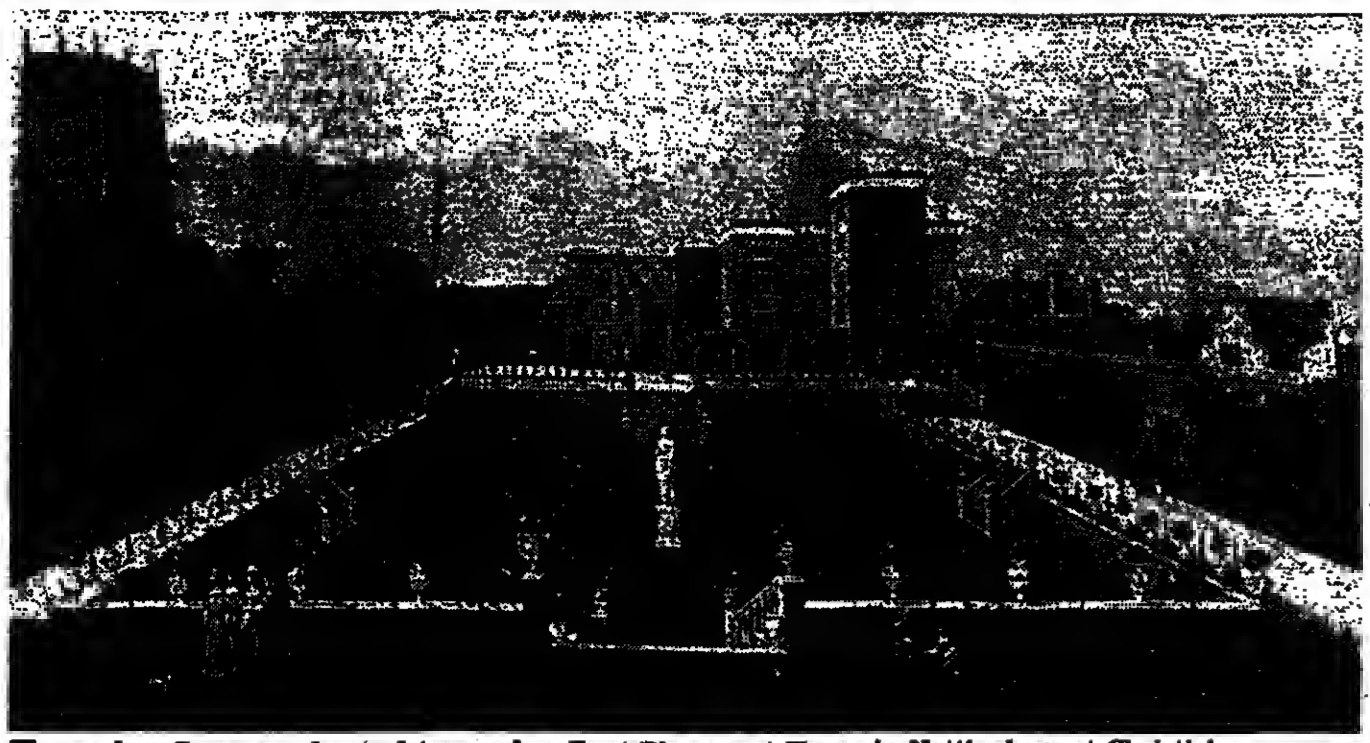
However slowly the politicians move on initiatives like the completion of the European internal market, manufacturing rationalisation is well under way in the consumer industries and virtually complete in the case of Unilever.

Mike Angus admits he was fearful at a recent meeting of senior European management in Eastbourne. Called to discuss cross-border strategies, it was expected to rouse linguistic outrage in all quarters, but all he heard was a call for acceleration despite the difficulties.

"In a way, the more problems there are, the better it is for us," he says. "Because we are better placed to solve them than the others, the greater our competitive advantage."

The first article in this series appeared in Friday's paper. The series will continue on tomorrow's Technology page.

ARTS



The sunken flower garden and terraced walk at Pierrepont House in Nottingham at Christie's

Landscapes fit for a king

Gillian Darley reviews the Anglo-Dutch gardens show at Christie's

William and Mary's preparations for the role of constitutional monarch began well before 1688. As soon as Charles the Second died, in 1685, they plunged into feverish work. An exhibition at Christie's, *The Anglo-Dutch Garden in the Age of William and Mary* (until February 3), celebrates the tercentenary through their patronage of art and landscape, and thus the spread of a gardening style, developed with help from the French but adapted to the Netherlands and Britain.

Het Loo, Hampton Court and Kensington Palace were the starting points either side of the water. A remarkably high proportion of the total expenditure went on the garden and landscape settings for these palaces. Yet it is the memory of the landscapes beyond the garden wall or hedge that lingers from this marvellous collection of paintings and engravings.

In Holland, gardens at this time were either intricate parterres set incongruously in the unremitting efficiency of the reclaimed polder, or else a kind of horticultural two fingers raised at the bleak wastes beyond, where the sand dunes marched to the edge of the sea. 17th century Holland had brought its landscapes to heel; "It is not small enjoyment when one changes the dry sands into useful land by means of art," wrote Joseph Cats, a poet whose own country house, Zorgvliet, was by the dunes near the Hague.

Looked at more closely, it becomes clear that these gardens were scientific and horticultural marvels. Their designers were surveyors and mathematicians, their owners burghers and merchants who treated their often relatively small gardens as a kind of cabinet of curiosities: rare plants, aviaries of exotic birds, and contrivances with water all demonstrated the Dutch achievement in encompassing the world and enjoying the fruits of that trade.

There were pragmatic considerations, too. The vast green "walls" which drew an outer edge to the gardens of late 17th century Holland were windbreaks, while the pattern of the compartmentalised garden was often drawn by the need for drainage channels.

In Britain, the new landscape vogue was promoted first by those who found a place in the new court. Lord Scarborough at Stansted or William Blathwayt at Dyrham were two who matched their new political supremacy with fashionably designed, Dutch-influenced surroundings. Here, too, these gardens sat incongruously amidst the mundane surroundings.

At Denham Place a busy, and no doubt pungent, farmyard lay behind the wall, at Blagdon the Northumberland moors were but a stone's throw away. At Dynevor a crumpled terrain of small Welsh hills were all reminders of what the gardeners had overcome to achieve the desired effect. In any case, the formality was a sophisticated urban gesture amidst deepest countryside.

This type of garden worked well on an urban scale as Pierrepont House in Nottingham showed. The sunken flower garden and terraced walk, with terracotta vases and sculpted figures led to an intricate effect in a confined space.

The English response to formality was to be rather strait-laced about it; but the Dutch were more relaxed. Once they had laid down the framework, marked out in box or neat edging plants, they felt free to introduce anything that caught their fancy, including the gangly cottagey hollyhock.

The celebration of horticulture is picked up in the exhibition by a selection of artefacts, largely from National Trust properties: gigantic ceramic flower pyramids; needlepoint upholstery; and the breathtaking walnut cabinet from Charlecote, covered with floral marquetry in which every specimen is identifiable. The gardens have been lost – though Het Loo has been restored, as has Ham House – but the decorative objects remain as vivid reminders of how passionate the phlegmatic Dutch could get about their flowers.

At Christie's exhibition George Carter's inspired stagey design and an abundance of fruit and flower decorations bring it all to life superbly. It is accompanied by a very scholarly, bilingual catalogue, edited by John Dixon Hunt and Erik de Jong, but is easily enjoyed on a more immediate level for the insights it offers on those two most compatible societies of the late 17th and early 18th centuries.

★

Another view of the landscape, the one beyond the garden wall, appears in an exhibition devoted to agriculture in art at the Mall Galleries (until January 29), also sponsored by an auction house, this time Phillips.

Although for my taste there are far too many paintings of fatstock and almost none of the farmhouses and outbuildings that remain the most interesting and visible legacy of agricultural history, it does include early farm plans and publications.

One is John Worlidge's Systema Agriculturae of 1688, in which the British delight in mastery of the land appears every bit as wholehearted as that of the Dutch. Fittingly subtitled "The Mystery of Husbandry Discovered and Layd Open," it shares with those later exhibits from the days of the agricultural improvers a feeling of pride, achievement and unlimited possibilities.

As farming enters its own post-modern phase, it is hard to detect such optimism; perhaps farmers should turn back to their gardens for comfort and delight?

An athletic approach to touring

Martin Hoyle catches up with the RSC on the Isle of Portland

A latter-day Vincent Crummles, the Royal Shakespeare Company has sent a mini-company out on what is called the RSC/British Telecom Tour. Despite the title, the players have arrived at the right places on the right dates, performed as advertised, and generally spread happiness, light and communication. Since September they have strolled from Northumbria to Belfast, from East Anglia to the Midlands. This week finds them in Newton Abbott. The last, western, leg of the tour concludes with Truro and Tiverton in the next two weeks.

They recently crossed Chesil Beach, the largest shingle structure in Britain, wisely fleeing Weymouth's threatened development of marina and "Spanish-style flats" in favour of Portland, with its stone quarries, prison, naval base and helicopter station; and magic and sexual comedy were played out opposite what Thomas Hardy called "the bleakest churchyard in Wessex."

All of which sounds misleadingly grim. In dazzling sunshine the pony club rides through the yews and locally-quarried Niobes of the superbly handsome Georgian-Italianate church; under a relentlessly cloudless sky one can understand why Marie Stopes adopted the island with its ruined fortress, Regency Gothic castle, dramatic coastline and unique breed of sheep (whose population sharply declined, coincidentally one hopes, with her advent). Above all, the enthusiasm and dedication of the locals – sponsorship in both money and organisation – vitally underpin the tour's success.

Bill Buffery's athletic production of *A Midsummer Night's Dream*, its characters springing, bounding, skidding across the stage, is a resounding advertisement for the straightforward approach. In a mainly young cast that includes many newcomers to the RSC nobody stands out; but, amazingly, the sheer beauty of the lines taken for granted for years suddenly gleams out; and, even more more amazingly, there are fresh jokes in that secretly (or not so secretly) dreaded comic cadenza, the base mechanicals' play – which incidentally reveals one of the funniest Thisbes of my experience in the plump, rouged and balding person of Simeon Andrews.

Until then the clowns' comedy has failed to ignite, the fault of the blandness that also afflicts Fiona Gillies' blank, under-reacting Helena. But Jennie Stoller and Raad Rawi make a strong central pivot, doubling as both Athenian and fairy royalty. This Hippolyta's basilisk disapproval of Theseus' adjudication of the Hermia love-tangle suggests that the ducal marriage may be as stormy as its supernatural counterpart. As Titania Miss Stoller has to cock an amorous leg, Hindu-temple style, and indulge in hoochy-coochy wriggling that could be expunged. But Paul Slack is a tough little Lysander and Peter Andrew a near-acrobatic Puck, complete with back-somersaults.

The cumulative effect of this *Dream* owes much to the music, ranging from spare folksy harmonies to the solemn chorale that accompanies the ritualistic finale, composed by Mia Soteriou. Michael Calf's atmospheric lighting in Portland's Royal Manor School revealed him as a real mooncalf, evocatively illuminating the patterned floor, guy-ropes and suggested swags of Philippe Brandt's set.

The Athenian lovers' white clothes hint at cricket and fencing gear; but Judith Bland's designs for *The Beaux' Stratagem* are in conventional Queen Anne style. If the Shakespeare production emphasises the tying of the knot (even the wounded purple flower is a spotlit rosette), Farquhar laments the Gordian tangle of an unsuitable marriage and hymns liberty of choice – the choice to live happily ever after, that is. Clifford Williams' direction emphasises the soft centre of what would become the bourgeois comedy of Sheridan; none of Congreve's cool, calculated accommodation in an agreed *modus vivendi* here. This is less comedy of manners than funny characters getting into droll situations, TV sitcom before its time.

As with the *Dream*, the evening progresses to a cheerful triumph. As Mrs Sullen, Miss Stoller's intonation occasionally betrays a touch of the Maggie Smiths, which she does not need.

Below stairs accents in Lichfield vary between the innkeepers' ménage (northern), the Squire's servant (broad Mummerset – Paul Slack again, making a versatile mark) and his wife's maid (vaguely cockney). Roger Moss, a conventional Demetrius, displays a good Piat d'Or telly French accent as the foppish count; and best of all is Carolyn Backhouse, a fairy and unspeaking stage-manager for Nicholas Lumley's harassed Quince in the *Dream*, who blossoms into a Dorinda spirited, touching and warm-hearted; qualities that should grace stages nearer (the RSC) home.

As moving spirit behind the RSC visit, the Island of Portland Heritage Trust has seen a generation of reluctantly playgoing schoolchildren (two years ago) turn into happy fans. But besides the practical administration (shared with the efficient school staff) there remains, as with all local groups, the problem of money. With only 474 seats at a limited top price, raising the requisite £19,500 plus VAT for a week of the RSC is "a lot for a small community ... Even South West Arts can't help. They have no money to spare." Our national culture, our national poet, don't come cheap in the market economy. The paradox is that there is a riotously enthusiastic public hungering for such treats – treats that our more civilised European neighbours would consider basic fare for an educated nation. Something must be wrong somewhere.

Jennie Stoller and Carolyn Backhouse in "The Beaux' Stratagem"

What Is Seized

DRILL HALL

Polly Teale has adapted and directed this 55-minute monologue from a short story by the American Lorris Moore: an evocation of childhood in which, half pleasurable, half painful, the adult pieces together what must have been an unhappy relationship between her two parents, barely understood by her when young.

Its wistful charm is typical of a certain genre of American woman writer, which is not intended as a sexist remark, merely to recall the tradition of bittersweet impressionism of, say, a Hortense Calisher.

In Andrea Carr's simple design, clothes lines zig-zag back to the black background drapes. The young woman who pegs out the washing remembers her droll father, the teacher who took the leads in local productions of *My Fair Lady*, *Camelot* and *The Music Man*.

Her mother could sing too, but only to the children, crooning Cole Porter to them in bed, since her husband would correct her.

The tricks and jokes for the children and outsiders concealed an unloving marriage. Gradually the message emerges: "Cold men destroy women."

The woman tells of her father's departure and her mother's mastectomy. She violently tugs clothes from the line at the account of her mother's death, and we notice for the first time they include a wedding dress and children's clothes; a life is displayed there.

With bony cheeks, a toothy smile and sad eyes, this commonplace figure in her blue print dress and white sneakers comes touchingly to life in Julianne Mason's beautifully restrained performance.

She conjures up family life both cheerful and frightening as she dances to the Soliloquy from *Carousel* with the man's jacket that recalls her father, or winds herself in gauze curtains to evoke a stifling nightmare.

The piece may be slight but is perfectly judged; and the pain that prompted the resolution to "leave every cold man" is never in doubt.

Martin Hoyle

Our Ellen

RICHARDSON STUDIO, CHELTENHAM

Ellen Terry's life-story is pretty well known. What Richard Osborne has done in his monologue *Our Ellen* is to present the main facts as she would have felt them. In this joint production by the Cheltenham Everyman and the Coventry Belgrade, he has been lucky to find Tina Gray for his Ellen, for she can make herself look quite like the photographs we know.

We see her first in a gloriously disorderly dressing-room on the eve of her 1906 jubilee, thinking about her forthcoming speech. She is wearing a gold-coloured dressing-gown over what proves unexpectedly to be her costume for Mamilius in Charles Kean's company. She is momentarily eight years old, but soon becomes 16 and naively married to G.F.Watts, then living with E.W.Godwin and the mother of a son and a daughter.

We go through the whole biography, more or less as we know it, alternating the social and the theatrical in pleasant little sketches, the main point being to show what these people and events meant to her, rather than to the world in general. So although her life is punctuated with famous names – Watts, Charles Reade, the Bancrofts, Irving, Shaw, even a couple more rather unsatisfactory husbands – we do not see them except as she did. She talks of them as simply as she talks to Elisabeth Williams and Philippa Smith, who play her incidental music and dress her stage.

There has to be some glimpse of how her parts seemed to her; we are given hints of several, and better than hints of mad Ophelia and merciful Portia. The famous Olivia in *The Vicar of Wakefield* is represented mostly by a cap and a scarf. There's nothing from Cicely Waynflete in *Captain Brassbound's Conversion* and only a line or two about Shaw.

Irving was clearly very important to her, but not that way, as they say. Each matter's value is gauged only by what nice, talented, simple Ellen thought of it.

Tina Gray does it all prettily, and mostly overcomes the handicap that dogs this kind of play, of having to speak dramatic lines in a conversational tone and vice versa. The author directs.

B.A. Young

Richard Jackson

WIGMORE HALL

Richard Jackson and Graham Johnson prepared Thursday's recital as a "Homage to Pierre Bernac," who has been dead for ten years, and who would have been 90 yesterday. Bernac was one of Jackson's teachers, as he was of many of the country's most significant recitalists. Indeed, the influence of the great French singer of *mélodies* and Lieder on British musical life has been incalculable – Mr Johnson's loving programme essay made that clear, and gave in addition as perspicacious a short account of the singer's special genius as I have ever read.

The programme, too, reflected the beneficent influence, particularly in its second half. Here, Mr Jackson sang four songs by Chabrier and and many more by Poulenc – "Bernac composers," one could call them both – and gave therein evidence not just of the studiousness and seriousness of approach that marked his teacher's work, but also something of the incomparable lightness of touch, fastidiousness of phrase, and transforming eloquence of diction that made French sound like the most beautiful of all languages for singing.

Obviously, the young English baritone cannot reproduce the Bernac touch in Chabrier's "L'Ile heureuse" or Poulenc's "Montparnasse" (and would have been unwise to try); but his own distinctive sense of style was never in doubt, and in other samples of Apollinaire-Poulenc – such as "Avant le cinéma" – the singer's sharp intelligence glanced witty inflexions off the words. (The pianist's command of *métier* was throughout the concert an unfailing joy.)

Mr Jackson's voice has mellowed since his early days with the Songmakers' Almanac. Sometimes one still feels a lack of lyrical flow in its movement, and problems at the top have not been entirely sorted out; but more often one rejoices in the absence of tightness and strain.

The first half of the programme was designed to reflect Bernac's qualities, perhaps less widely hymned, in German song; but here another spirit also hovered over the proceedings, that of Dietrich Fischer-Dieskau. In Schumann and Brahms particularly I longed for Mr Jackson to shake off the influence of the uniquely refined F-D enunciation, which here seemed responsible for the self-conscious little digs into the line. In Liszt, particularly in an imaginative and finely spun "Drei Zigeuner," Mr Jackson was much more evidently his own man, and the benefits were obvious.

Max Loppert

Bros

WEMBLEY ARENA

It was like a battlefield outside. Girls weeping; friends being torn apart at the turnstiles; bitter recriminations flung at the lucky few who had managed to find a tout with a ticket. After all this was going to be the last British date on the Bros "Global Push" tour. For some of the fans, by the time the boys make it back to Wembley the surrogate love affair with a poster on the bedroom wall will be over.

Inside it was like a Nuremberg rally. Wembley was packed with massed ranks of Brosettes, dressed in standard uniform of ripped 501s, patch-festooned jackets, cropped T-shirts, and size five Doc Martens.

Suddenly a spot light picked out two cherubic figures, dressed in gleaming white, and hovering unsteadily on wires above the stage. The celestial twins looked even more Scandinavian than A-Ha, the "pretty boy" band they replaced.

After the gimmicky entrance Bros put on a much more workmenlike show than their cossetted tabloid reputation suggested. The entire act is built around lead singer Matt's melodic voice and surprising stage charisma. He feeds off the audience like an old pro, while brother Luke lurks inconspicuously behind his drum kit. But the strain of the tour was telling on Matt's voice during "Drop the boy."

Bros has hired a crack band plus two Brosette dancers, who make the usual bump and grind routines look as innocent as a netball warm up. They powered their way through anthems such as "I owe you nothing" and "Cat among the pigeons".

The best tribute to Bros is that they turned the arid atmosphere of the vast Arena into something like a small club. The problem for Bros is whether they can mature with their audience, like Duran Duran, rather than flounder into obscurity like Spandau Ballet.

Clare Dalziel

ARTS GUIDE January 13-19

MUSIC

London

BBC Symphony Orchestra. Part of the Images de France exhibition featuring Pierre Buolez, the leading French composer (Tues, Thur). Barbican Hall. 638 8891.

Ensemble InterComporain, conducted by Peter Eötvös. Works by Boulez as part of current retrospective (Mon, Tues). Barbican Hall. 638 8891.

Royal Liverpool Philharmonic Orchestra, conducted by Libor Pešek. Mozart and Berg. (Tues). Royal Festival Hall. 928 3191

City of Birmingham Symphony Orchestra, conducted by Simon Rattle with Helen Field (soprano), Linda Hurst (contralto) and John Mitchinson (tenor). Brahms and Janáček. Royal Festival Hall. 928 3191

Paris

Gerhard Oppitz, piano. Brahms (Mon) Salle Gaveau (45 63 20 30)

Orchestre Colonne, conducted by Alexander Rabbari, Cecile Ousset (piano). Berlioz, Grieg, Beethoven (Mon). Théâtre des Champs Elysées. (47 20 36 37)

Margarita Zimmermann (mezzo-soprano) Dalton Baldwin (piano). (Mon). Chatelet (40 28 28 28)

Ensemble Orchestral de Paris, conducted by Roberto Benzi, Boris Belkin (violin), Glinka, Prokofiev, Haydn (Tue). Salle Pleyel(45 63 88 73)

Scottish Chamber Orchestra. Monteverdi, Cavalli, Vivaldi (Wed). Chatelet (40 28 28 28)

Orchestre de Paris, conducted by Carlo Maria Giulini. Mozart, Bruckner (Wed, Thur). Salle Pleyel (45 63 88 73)

Nouvel Orchestre Philharmonique, conducted by Kenneth Montgomery. Philippe Bianconi (piano). Mozart (Thur). Radio France, Grand Auditorium (42 30 15 16)

Byron Janis (piano) playing Chopin (Thur). Théâtre des Champs Elysées (47 20 36 37)

Antwerp

Marcel Ponseele and Paul Dombrecht (oboe), Richte Van der Meer (cello), Robert Kohnen (harpsichord) Donna Hyry Agrell (Fagot) perform Zelenka, Fasch, Telemann and Handel De Singel (Thurs). 03-237-6158

Vienna

Piano Recital, Nikita Magaloff playing Chopin (Mon, Thur). Konzerthaus.

Ensemble Jean Louis Petit. Tisne, Chaynes, Conde. Takakmuseum.

Austrian State Radio and Television (ORF) Orchestra and Choir, conducted by Erwin Ortner. Issac, Webern. (Thurs). ORF studios.

Rome

New Cambridge Buskers. Michael Copley and Jeremy Sans continue a British month organised jointly by the Accademia Filarmonica and the British Council, playing Brahms (four intermezzos and ballad in B-major (Sun) and Tchaikovsky's sonata in G-major (Wed.) Teatro Olimpico box office: 393304

Milan

Recital by tenor Jose Carreras accompained by Martin Katz (Mon.) Teatro Alla Scala: box office: 80.91.26

Amsterdam

Netherlands Philharmonic, conducted by Hartmut Haenchen with Carolyn Watkinson (contralto). Mahler (Wed).

Vienna Philharmonic, conducted by Zubin Mehta. Schubert, Richard Strauss, Brahms (Mon). 718 345

New York

New York Philharmonic conducted by Felix Krulikov, Ivan Moravec (piano). Brahms, Schumann, Prokofiev (Tue). Avery Fisher Hall, Lincoln Center (799 9595).

American String Quartet. George Tsontakis (world premiere), Mozart, Brahms (Tue). Kaufmann Hall (996 1100).

Jorge Bolet piano recital. Liszt, Schubert, Wagner/Liszt (Wed). Carnegie Hall (247 7800).

Louisville Orchestra conducted by Lawrence Leighton Smith, with Elmar Oliveira (violin). Morton Gould, Copland, Ezra Laderman, Martinu (Thur). Carnegie Hall (247 7800).

New York Philharmonic conducted by Zubin Mehta, with Julia Varady (soprano). Paine, Mozart, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (799 9595).

Cleveland Quartet. Bartok programme (Thur). Grace Rainey Rogers Auditorium, Metropolitan Museum of Art (570 3949).

Orchestra of St Lukes conducted by Julius Rudel, with Frederica von Stade (mezzo-soprano) (Thur). Poulenc, Schubert. Carnegie Hall (247 7800).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Shostakovich programme (Tue). Kennedy Center Concert Hall (254 3770).

Chicago

John Weaver violin recital. Mixed programme (Mon). Orchestra Hall (435 6666).

Chicago Symphony Orchestra conducted by Günter Wand. Schubert, Brahms (Thur). Orchestra Hall (435 6666).

Tokyo

Orquesta Nacional de Espana conducted by Rafael Fruhbeck de Burgos. Albeniz, Beethoven, Stravinsky (Tues). Suntory Hall (403 8011).

Julian Lloyd Webber (cello) Bach, Debussy, Beethoven, Falla. (Wed). Bach, Debussy, Britten, Rachmaninov (Thurs). Casals Hall; (233 3193).

Tokyo Metropolitan Symphony Orchestra, conducted by Hiroshi Wakasugi, with Kenji Kobayashi (violin), Kifuu Mitsuhashi, Teruhisa Fukuda (shakuhachi), Mayumi Miyata (shoh). Works by the Japanese composer Makoto Moroi (Wed). Tokyo Bunka Kaikan (822 0727).

Japan Philharmonic Orchestra, conducted by Akeo Watanabe. Tchaikovsky, Dvorak (Thurs). Suntory Hall (284 6811).

FINANCIAL TIMES
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The reshuffle continues

THE alliance announced last week between the UK's General Electric Company and General Electric of the US underlines the British company's new strategy of pursuing a larger share of European markets through joint ventures.

For GE the deal provides a bridgehead in the Community which it will certainly want to enlarge; it is hardly likely to be content with a partnership in domestic appliances and a minority stake in a gas turbine business. For Europe as a whole the deal marks a further reshuffling of assets as companies prepare for the European markets of 1992.

Joint ventures

If all its new plans go through, GEC will emerge with seven major businesses, two of which, power engineering and domestic appliances, will be in the form of joint ventures and a third, telecommunications, will have a foreign partner as a large minority shareholder. The other four – defence electronics, medical electronics, office automation and measuring equipment – are thought capable of being developed into stronger world businesses.

Doubts about the strategy rest mainly on the notorious difficulty of managing joint ventures; GEC's own experience in this field has been patchy. There is also the still-unresolved question over the succession to Lord Weinstock, GEC's managing director. Success will require strong direction and a determined drive for world leadership, along the lines of the policies being pursued by GEC's new American ally.

A sensible strategy for GEC is not, of course, the same as a strategy for the UK electronics industry, which is a much wider and more difficult question. Japan's great strength in this sector is built, first, on a group of broad-based companies with interests ranging from semi-conductors to consumer electronics and computers and, second, on a group of highly innovative smaller companies with a narrower product range.

The UK has no contenders in the first category. The second represents a more feasible option. For example, the recent company which is now part of STC, shows that a well-conceived "niche" strategy, reinforced by international alliances, can work even in an industry dominated by American and Japanese giants.

Plessey has followed a similar approach in semiconductors. It has specialised in application-specific integrated circuits (ASICs) and is regarded by some observers as a potential leader in this field. If the GEC/Siemens bid succeeds, Plessey's semi-conductor business is likely to be linked with Siemens's very different and larger activity in this field, with the obvious risk that the UK operations could gradually be run down.

A reshuffling of assets among Europe's larger electrical and electronics companies will be helpful if it leads to stronger-management, more willingness to think in European and global terms and greater specialisation in products and technologies where positions of world leadership are achievable. It may be, however, that the leaders in European electronics over the next few decades will be found, not among the old-established companies whose manoeuvres have dominated the headlines in recent weeks, but among new entrepreneurs who can react with more flexibility to fast-changing markets and technology. Ventures of that kind have been a great source of strength in the US. But in Europe the old "national champions" like GEC, Siemens and CGE in France still exert great influence. Some rationalisation among them makes sense, but the competition authorities need to watch carefully the emerging network of alliances, involving the same group of large companies linked to each other by joint ventures and cross shareholdings, which is beginning to dominate several industries.

Collusive behaviour

These arrangements could have the effect of making the companies virtually bid-proof and encouraging collusive behaviour between them. Europe's business environment needs to be open to newcomers, from within the Community and outside it, who are prepared to rock the boat.

Card-carrying hooligans

Here we go. The hallowed British principle of muddled thinking is about to be applied with full force to a fresh subject - personal identity cards. This week the House of Lords will embroil itself in a heated argument about an obviously impractical card scheme, while side-stepping what should be a cool discussion of a proposal that should be debated on its merits. The impractical scheme would, if only it were workable, curb football hooliganism by obliging fans to produce special computer-readable cards when they seek admission to matches. The political row about this will obscure rational analysis of the far more serious question of whether Britons should be compelled to carry, or produce on demand, the kind of national identity card that is common on the continent.

Absurd notion

The notion of football cards is absurd. The idea is that hooligans would be kept out of the grounds, with the result that the ugly violence of recent years would thus be stopped. This simple-minded proposition can appeal only to those who believe that when they see disturbing scenes on television "something must be done", however ineffective. The truth is that loutish behaviour by drunken young people is not created by football games, nor is it confined to the terraces. Young men have behaved roughly at most times in human history. Inner-city violence, a complicated - and ugly - social phenomenon, will not be eradicated by a knee-jerk response.

It might be made worse. The police are convinced that the football scheme could result in a large number of potentially-violent quarrels at the turnstiles, as people with borrowed cards try to force their way through, or as the electronic gates jam or otherwise break down. Bad-tempered youths who failed to get in to cheer their home team on a Saturday afternoon would remain bad-tempered, or worse, when they set off, thwarted, from the gates. In any case, there can never be a foolproof check of faces on cards as thousands of fans pass through. Even if this were possible, the scheme would do nothing to reduce the number of battles taking place in bars and outside football grounds. If a Tory revolt causes Parliament to reject this Bill, the Government will have received its just deserts.

Either way, the topic of a general identity card is likely to come to the forefront. The British tradition is that the police do not carry guns, and the people do not carry what in colonial times were called "passes." This tradition may not be proof against growing terrorist threats. More police are now bearing arms in special circumstances. More politicians are now thinking about the advantages to the upholders of law and order of a universal obligation to carry a card bearing the holder's photograph. Such a card might be of great help to the security services in Northern Ireland. Yet this particular argument should give pause for thought since the possibility of its misuse highlights the danger to civil liberties.

Transactions

Against that, a card would be a useful means of identification in everyday transactions. In the US a driving licence shows the driver's face; in Britain it does not. Credit cards constitute limited proof of identity. Most member governments in the European Community would doubtless take a more relaxed view of the abolition of passport controls at frontiers if everyone in the EC carried some form of personal identification. These arguments carry greater force if the proposal is for an identity card that can be produced at the holder's convenience, as the Home Secretary appeared to favour at the weekend.

The best that can be said at the present early stage of the debate is that a continental-style card would be easier to accept if it was accompanied by continental safeguards, such as the incorporation of the European Convention of Human Rights into British law. But that, too, requires logical thinking.

Ian Davidson on the debate behind plans for reform in French schools

Education goes to the barricades

For as long as anyone can remember, France has been buzzing with expectations of a major boost for education. In late 1987 the then Gaullist government produced a plan to raise the performance of the educational system; it was stillborn, pre-empted by the presidential election campaign of spring 1988. The campaign itself revealed a consensus among all presidential candidates that the country must give absolute priority to improving the educational system. During the next six months, the country waited for the new government formed by Mr Michel Rocard to follow up on the campaign promises, but nothing seemed to happen.

But now the waiting is over. This week, Mr Lionel Jospin, Education Minister and Mr Rocard's number two, presents his long-term reform plan to the cabinet, and launches a three month negotiation to sell it to the politicians, the voters, the parents, the children, and, above all, the teachers. Ahead lies a period of passionate controversy; for if there is one issue which really gets the French going, it is education.

Mr Jospin must sell his plan to the teachers because it is certain to require sweeping changes in the running of the schools. Before Christmas there were muffled echoes of a heavy backroom fight between Mr Rocard and Mr Jospin over the terms of the reform. In essence, Mr Jospin wanted to start the ball rolling by giving the teachers a pay increase without conditions; Mr Rocard was determined that the pay increase should be the counterpart to far-reaching reforms in the way teachers do their jobs. It seems that Mr Rocard has won.

In theory, the details of the reform plans are still top secret; but enough has trickled out to suggest that if adopted, they will lead to a sweeping transformation of the style and content of the French educational system. Some insiders claim that the changes will be the most far-reaching since the landmark package of reforms introduced by Jules Ferry in the 1880s, which laid down the benchmark for the next 100 years – making primary education free, compulsory, lay and a public service funded by the state. Others merely say that the reforms will be "revolutionary", possibly an appropriate characteristic for the French bicentenary year.

The starting point of the plan will be a long-term target of vastly increasing the proportion of each generation of schoolchildren taking a school-leaving exam equivalent to the baccalauréat – popularly known as *le bac* and normally taken at about the age of 18. The Socialist government of 1984 proclaimed a target of 80 per cent by the year 2000; the Gaullist government's abortive plan of 1987 aimed slightly more modestly at 74 per cent; Mr Rocard has indicated that the Jospin plan will revert to the 80 per cent target.

The scale of this ambition needs to be measured against the current state of affairs. At present, about 40 per cent of French school pupils reach the level of the *bac* or some technological or professional equivalent, even if only three quarters of them actually pass it. This is a major advance on 30 years ago, when only 20 per cent of a given age group took the *bac*. An 80 per cent target, representing a doubling of this performance within a decade or so, would seem superhuman.

Claude Pair, one of the top advisers in the Education Ministry and a former Directeur des Lycées, does not agree. "We may not reach 80 per cent in the year 2000; but we shall reach it very soon thereafter, because everybody wants it – the young, their families, and industry. The young have a growing appetite for education, and the employers say they really want people with two years of further education after the *bac*."

But if the system is being forced by its consumers to move from 40 per cent to 80 per cent in such a short time, why does it need a revolutionary reform? The answer falls into three parts. In the first place, current *curricula and pedagogic methods* are deliberately élitist and academic – they may be suitable for a minority of élitist academics, but they are not necessarily suitable for mass education. The charge most often levelled against the French school system (by the French) is that it was designed for a tiny minority of high-fliers who were destined for the Ecole Polytechnique or the Inspection des Finances. The growth of numbers aiming at the *bac* level in recent years has been achieved in part by the introduction of technological and professional equivalents; but the ethos and even the content of these supposedly vocational exams continues to be heavily influenced by the principles of the prestigious Baccalauréat Général.

Second, the attempt to force growing numbers of schoolchildren into such conformity means imposing an inhuman and absurd burden of work on them. France is the only country in the world, according to Yves Martin, doyen Inspecteur Général of Education, to require the study of philosophy in the school-leaving examination; in addition, during their two years of *bac* studies, *all* pupils have to take French, a modern language, history, geography, maths, physics, chemistry and physical education, whatever other subjects they may also have to take for their specialised *bac*.

Third, the policy of requiring children to absorb enormous quantities of book-learning, no longer looks so sensible in the post-industrial era. The main teachers' union, the Fédération de l'Education Nationale (FEN) asked industry what skills it was looking for, and found that the three most wanted characteristics were the ability to communicate, the ability to work in teams, and a level of general education which would facilitate retraining.

The tension between élitist objectives and what the French call the "massification" of education, is bringing the system to breaking point, provoking a constant flood of criticism in the media, and demoralisation among teachers and children.

If there is one issue which really gets the French going, it is education

Media criticism is most frequently encapsulated in the phrase *l'échec scolaire*, or school failure. This conveys the impression that the educational system is failing in general, that standards are declining, and that teachers are falling down on the job. Needless to say, this impression, on top of their low pay, contributes powerfully to the demoralisation of teachers.

The picture is much better for the most able children in the top third, but seriously flawed for the also-rans. Not merely are standards not falling overall, they are rising substantially; this showed up in an army survey of conscripts, and has been comprehensively demonstrated by a new study published last week. The timing of its publication is providential for the Government, since it should set the record straight before negotiations start with the teachers.

On the other hand, one of the real cancers in the system is what the French call "*sélection par l'échec*", selection by failure. Every year in every class, 10-20 per cent of the pupils fail to pass the end-of-year exam, and have to do the year all over again.

At secondary level, the rate of so-called *redoublement* is on the increase, whereas at primary school it has declined. On the other hand, it is on young children that the destructive effect is most devastating. Of every 1,000 children who start primary school, 100 will be made to do the first year again; and out of these 100, 40 will drop another year before the end of primary school, and only one will ever get as far as the *bac*.

"French public opinion," says Antoine Prost, top adviser to Mr Rocard, and himself a historian of education, "thinks that *sélection par l'échec* is an indication of quality; in fact, it is scandalous and destructive." The severity of the selection process may push up standards for those who survive, but it is pitiless for the 30 per cent who leave school without any qualification.

The Government's reform plan is expected to encompass the entire educational system, from the *école maternelle* to the university. But the heart of the plan is expected to be a reform of the secondary school system, which starts with four years of *collège*, followed by three of *lycée*.

A central problem is the extraordinarily heavy load of homework, which is much harder for children from less privileged backgrounds, who may live in cramped or noisy surroundings, or whose parents may be unwilling or unable to help. "When parents cannot help their children," says Yves Martin, "and they are the majority, someone else must – the teachers."

"The British system, where teachers are present throughout the school day, would not go down in France, not with our habits. But at least they ought to be present 22-24 hours a week." This compares with the present requirement of 18 hours of classes for most teachers, or even as little as 15 for the more highly qualified *agrégés*. These extra hours should be used for helping weak pupils, standing in for absent colleagues, helping young teachers, or administration.

Such an idea is bound to provoke protest from teachers, who are attached to the shortness of their hours and touchy over the specialisation of their profession. But Mr Martin is adamant: "I see no other solution."

In the *lycée*, he believes, change must be even more far-reaching. "We must completely rethink the general *bac*, since it is not adapted to the 80 per cent target. We must accept the idea that pupils can limit the number of subjects, so as to get a deeper knowledge of one or two, and also produce a personal project, so as to acquire a real general culture. For example, one major subject, one minor, French, and physical education."

In a recent speech, Michel Rocard called for more time for arts, painting, music and theatre. This would be a major challenge to the present system which rigidly excludes everything which is not strictly on the syllabus, so that art and music tend to be optional extras, outside school hours and premises.

A revamped educational system is obviously going to be expensive. The Government will have to pay the teachers more if it is to persuade them to work longer and differently; it will need to replace the 300,000 teachers who are due to retire between now and the year 2000; and it may have to expand the teaching workforce, if it is to meet the 80 per cent target. The FEN claims that another 100,000 teachers will be needed.

With a starting salary for a qualified *lycée* teacher of FFr 5,800 (£523) per month, and a final salary of FFr 10,000 for a headmaster, the teaching profession looks undervalued. For purposes of comparison, the median for all salaries in France in 1986 was FFr 6,230 per month, and the average was FFr 7,560; whereas the average annual income of a physician in 1987 was FFr 578,000, and of a surgeon FFr 922,000.

The trouble is that there appears to be a yawning gap between what the teachers want and the extra money the Government has set aside. Towards the end of last year, the Government was promising an extra FFr 4bn on top of the forecast budget; last week, it appeared to have recognised that this would not be enough and had raised it to an extra FFr 6bn. But this is only about 3 per cent of the education budget – a recent poll suggests that teachers will be looking for a salary increase of FFr 2,000 or FFr 3,000 a month, about 50 per cent.

Claude Pair recognises that the Government's 3 per cent will not be enough; so ways must be found of making savings. Not merely is *redoublement* destructive, it also costs a lot. Reducing the children's work load could save money; postponing exams until July would add a month or six weeks of classes to a school year which is the shortest in Europe. It is hard to believe that these will provide more than penny savings, however. The negotiations ahead should be very interesting.

OBSERVER

Chelsea 1 Palace 0

■ *Chelsea Football Club* is going through one of its fashionable periods: top of the Second Division and winning back the crowds. So Stamford Bridge on Saturday seemed as good a place as any from which to observe how the crowds are behaving.

There was the added attraction of Dave Beasant, the new Chelsea goal-keeper. Beasant was the hero of the Wimbledon victory over Liverpool in the FA Cup Final last year. He was then transferred to Newcastle United for over £800,000, and last week moved to Chelsea for about 15 per cent less. Such figures perhaps explain why it costs £5 to get a place on the terraces.

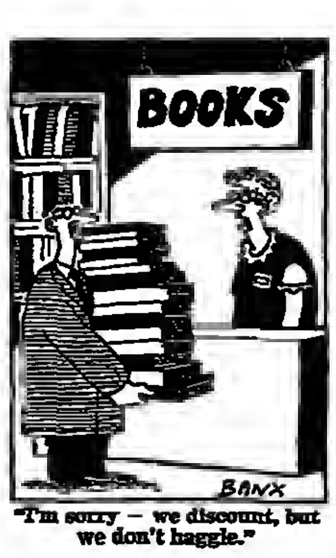
For the uninitiated, the entrance to the stadium is not all that easy to find. If you try to take a short-cut, you are liable to end up in a private housing estate that culminates in a cul-de-sac. The local residents are none too helpful. We came across a group of bewildered Swedes who had been looking for the way in for about an hour.

Supporters are now segregated between "home" and "visitors". We went in with the visitors, who were Crystal Palace. Sections of the terraces were being deliberately kept empty, which meant that we watched the early stages of the game from a great distance and through a wire fence. The police then had the good sense to let part of the crowd into the empty spaces.

The Palace supporters seemed an amiable lot, though with a limited vocabulary. From time to time they would chant what sounded like "Eeyore" but was, in fact, "Eagles" after the Club's golden strip. It was accompanied by an upward movement of the right arm with the wrist and fingers coming down like an eagle swooping.

The match was – in the footballers' own word – rubbish. One had expected some kind of Chelsea model in preparation for the First Division. The Palace crowd did not seem to mind particularly that their side lost.

Nor did they object at the end when all Palace supporters were instructed to remain in their places until all the Chelsea supporters had left. That process took about 45 minutes. When we finally got out, there were no ambushes, the streets were quiet and the local pubs still closed.



"I'm sorry – we discount, but we don't haggle."

Currie gossip

■ Amid the speculation about the next Government reshuffle, one suggestion could perhaps come true. Edwina Currie, the departed but not disgraced junior Minister of Health, could be made a deputy chairman of the Tory Party, rather in the role once played by Jeffrey Archer.

Nomura man

■ Plaudits all over the City for Hitoshi Tonomura, who is returning to Tokyo to take over the overseas operations of Nomura Securities.

The praise comes not only from Sir Douglas Wass, the former Permanent Secretary at the Treasury now enjoying life in the private sector as (among other things) non-executive chairman at Nomura International in London. It is echoed by Eddie George at the Bank of England and Sir Martin Jacomb at BZW.

One of the reasons is that Tonomura, as they call him, is seen as a hot candidate for the Nomura succession in four or five years' time. "That would make him a world figure," said a City admirer not usually given to hyperbole.

Tonomura is only 50 - young by Japanese standards for high promotion. During his four years as chief executive in London, Nomura obtained a banking licence, became a member of the Stock Exchange, started equity market making, and then became a primary dealer in gilts.

Tonomura himself was a member of the Stock Exchange Council, and re-elected. His extra-curricular passions were rugby union and American football. "He would go to practically every international at Twickenham, sit on the edge of his seat and bang his knees," said Wass.

The new Nomura man in London – Nobuo Nakazawa – is also said to be strong on "dochakuka", which translates literally as "becoming part of the local soil". This time it will not be rugby, but cricket, which he is determined to learn all about.

Nakazawa is 44, recently spent six years in Switzerland, and will also head Nomura's activities in the rest of Europe.

Strong wrong

■ The art establishment does not come well out of the exhibition on Aspects of Agriculture in English Art now being shown at the Mall Galleries. Indeed for several years it prevented it from being shown at all.

The original idea came from John Owens, then running the Dairy Trade Federation, in 1982. Owens spent over three months producing a detailed synopsis and found considerable support from Peter Walker, then Minister of Agriculture, and Sir Richard Butler of the National Farmers' Union, as well as the Royal Family.

It was turned down, however, by the major galleries – the Royal Academy, the V&A, and the Hayward – and by the Arts Council. Sir Roy Strong, then the Director of the V&A and chairman of the relevant Arts Council committee, said it had "no artistic merit".

Only when the Royal Agricultural Society wanted to celebrate its 150th anniversary did people come back to it. The Owens synopsis was used.

Owens is now deputy Director-General of the CBI. He regrets that the show is running only until January 29 and that it is not even bigger: "very weak on the medieval side," he says. But he hopes to take the CBI more in the arts.

Tokyo signal?

■ The official Japanese title for the age of the new Emperor is "heisei" (pronounced "hay-say"). The characters mean "peace attained", but the sounds "hay" and "say" can also mean very different things in different contexts. The first can mean flatten or level, and the second the west. Surely this cannot be Japan's real goal in the new era?

Terry Dodsworth, Industrial Editor, examines how GEC will look if Lord Weinstock gets his way

A new empire built from the old

In the space of less than two months, Lord Weinstock, architect of the General Electric Company 20 years ago, has torn aside the structure he created and replaced it with something entirely new.

It has been an extraordinary eight weeks, made all the more so by the impression of slumbering immobility that has coloured recent stock market comment on the company. "The market," said Lord Weinstock the other day, "took the view that because something was not happening every day we were fast asleep. That was all absolutely rubbish."

Rubbish he has certainly shown it to be. If successful, the bewildering series of deals the group has announced since mid-November will link its future irretrievably to three of the world's leading electronics companies. Almost half of its activities will be injected into joint ventures with these overseas groups, Siemens of West Germany, Alsthom of France and General Electric in the US. Lord Weinstock, the man who more than any other UK industrialist has been associated with meticulous personal control of his empire, will be surrendering independence for substantial collaboration.

It is tempting to see these moves as partly a response to threats from outside. The group has unquestionably been under heavy pressure recently from shareholders as worries have built up about its long-term growth prospects and lacklustre profits. More to the point, it was suddenly faced in the last few days with the possibility of a bid from a consortium including GE. In detaching GE from this proposed bidding group, GEC has both deflected this external attack and linked the American company – the US's largest electrical group, with sales of about $40bn a year – to its own plans for the future.

Yet GEC's initiatives go well beyond a defensive strategy. Indeed, the group has come under attack from the consortium bid partly because of its own aggressive takeover offer, launched jointly with Siemens, for Plessey, the UK electronics group.

GEC's plans flow from the belief that the group is too small in certain of its key product areas to continue to go it alone in world markets – a problem, it argues, that is shared with other Europeans, including Plessey.

This is by no means a novel idea. But the notion has become easier to turn into industrial initiatives since the proposals for ending Europe's internal trade barriers became more concrete about a year ago.

The new climate in Europe, with indigenous companies more willing to horse-trade, and Americans anxious to gain a foothold while there is still time, form the framework for the three main joint ventures being planned by GEC.

● In the bid with Siemens for Plessey, GEC is linking up with Europe's second largest telecommunications company after Alcatel of France, to gain a partner with larger international distribution channels, along with funds to inject into the development of the next generation of telephone exchanges. It is also gaining an entrée, through Siemens, into the West German defence electronics market.

● The 50-50 joint venture with Alsthom, the French power engineering group, is by far the largest and in some ways the most ambitious of the new projects on which GEC is embarking. It will create a group with total turnover of £4.4bn – Alsthom's sales are roughly twice those of GEC's in this area, though profits are roughly similar – in a range of turbines, power station equipment and railway products. This will make it the second largest power engineering group in the world after Asea Brown Boveri, the Swedish-Swiss group formed a year or so ago.

The entry of GE into this project as a minority partner in a new gas turbine division, accounting for sales of about £400m, will give the group a complete range of technology.

● The main deal with General Electric is concentrated on domestic appliances, where the two have a common trade name – Hotpoint – and where both have a dominant position in their domestic markets. This is one of the fields where GEC has up to now ducked the challenge of overseas expansion, but where the added technology and financial muscle of GE, the largest appliance manufacturer in the world with sales of $4.5bn, is expected to lead to a shot at Europe-wide development. There will now, GEC managers insist, be acquisitions in this field.

Roughly speaking, the turnover of the activities in these collaborative enterprises amounts to around £2.5bn, or a little over 40 per cent of GEC's combined sales of £5.9bn.

The rest of the group breaks down into four wholly-owned areas – US medical electronics (sales of about £370m), electronic metering and control (£500m), office equipment (£450m), and the Marconi defence electronics division (£2.1bn). All of these businesses are profitable and have well established positions in world markets or their own particular niche, although there is a question mark over the Picker medical equipment division, a medium-sized company in an industry of large global players.

The novel element in this proposed new structure for GEC lies in the joint ventures. In other respects, the traditional concept of a company sharing some research and a common funding base, but with sharply differentiated operating divisions, remains the same. So the issue for GEC's future is how well these new collaborative enterprises fit with its concept of developing its global business.

First, all of these projects include research and development arrangements. GEC is often criticised, of course, for failing to develop world-beating new products, or not investing in high technology on the scale of the Japanese or Americans. But it has never pretended to be a technology-led organisation of that kind.

Instead, it sees the need for concentrating research on specific targets; and since these costs are going up, even in mature industries, like power engineering, it sees the need for sharing costs both in the development of new products and in the increasingly expensive plant investments now required. "In the combined group the new organisation will only be spending once," says Mr Rob Davidson, managing director of the UK power group.

Second, the joint venture arrangements are bound to pose forbidding management challenges for companies with such strong traditions. In this, GEC ought to be helped by its diversified structure. The company is not an integrated electronics group in the style of some Japanese and American businesses, with equipment divisions feeding on semiconductor and component activities through a vertical corporate network. It appoints divisional managing directors and runs the business by controlling them: hence the joint ventures will be self-standing organisations.

On the other hand, there could be a problem over profits and strategic objectives. All Lord Weinstock will say on this is that all businessman share the ambition of running efficient operations while Mr Jack Welch, GE's chairman, has made a point of praising GEC's returns. "Compare their margins with those of their European competition," says Mr Welch. "This is one of the most successful corporate teams in the world."

Finally, when all the rhetoric has been stripped away, to what extent have the deals strengthed market GEC's position in its pursuit of international growth?

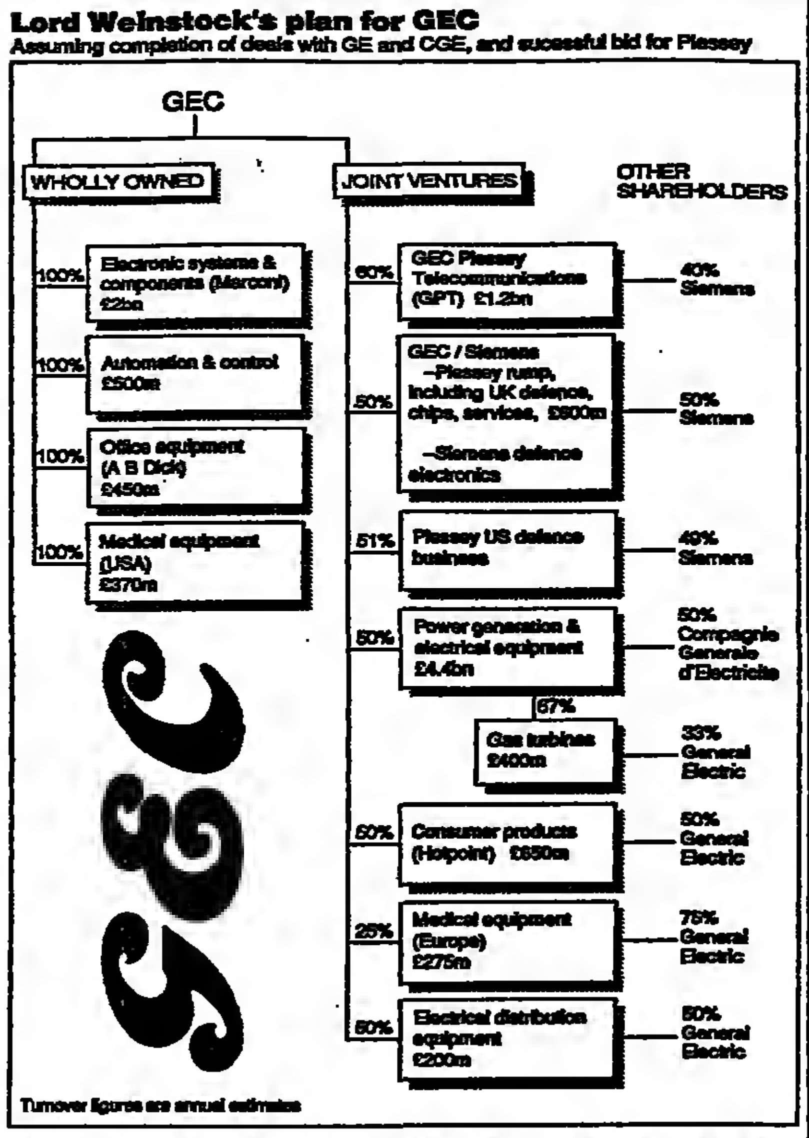
The short answer is that most of the proposed deals give GEC potential rather than an immediate market position. Growth at Hotpoint depends on how aggressive the new company is prepared to be, and that will demand some stiff answers to profit margin prospects in a continental European market oversupplied with products. Similarly, in telecommunications a great deal will depend on Siemens' willingness to supply its distribution channels from GPT; and in West German defence electronics GEC will have to build on the alliance with Siemens.

Moreover, none of the deals helps GEC short-term in the US, where GE has certainly given nothing away and Siemens is pursuing its own go-it-alone strategy. Nor are the deals likely to lead to a greatly enlarged UK semiconductor industry, a subject close to the heart of GEC's critics, and where the Plessey and GEC businesses are earmarked for integration into the Siemens activities.

The most immediate gains are more likely to come in the power engineering field, where GEC already has a significant world presence, with just over 50 per cent of its sales overseas. Here, Mr Davidson sees great opportunities to be gained from a broader product range, larger markets, rationalisation and combined new technology. His views have a prophetic ring about the new shift to reorganisation on a European scale.

"If we had not had the restructuring of the power engineering industry in the UK 20 years ago, we would not be in a position to create the second biggest company of its kind in the world today," he says. "We have seen some industries like motor manufacturing go down in Britain in recent times, and we feel that it is now time for our strong company to join with another strong one to expand."

Lord Weinstock's plan for GEC
Assuming completion of deals with GE and CGE, and successful bid for Plessey



Turnover figures are annual estimates

LOMBARD

Day-dreaming in Comecon

By David Buchan

THE SOVIET Union's announcement that it is joining other East European states in restricting scarce consumer goods to its own nationals is gloomy proof that, under perestroika, things get worse before they get better.

But it also dismally underscores how far Comecon countries are from making their monies freely exchangeable with those in the West. This is bad news. The rash of new or impending agreements between the European Community and individual Comecon countries is encouraging expectations of an important upturn in East-West trade. But even if such an upturn occurred, it could only be sustained by the East moving towards currency convertibility.

Looking glass

It would take a Lewis Carroll to do full justice to the way an Eastern trade war is a Western trade war turned upside down. When commercial hostilities break out within the West, capitalist countries restrict imports from each other. Communist countries and/or centrally planned economies do the opposite; they restrict exports to each other.

Each course of action has its logic. Capitalist countries have a chronic tendency to have too many goods chasing too few people, so they like to export more than they import. Cursed with over-production – or, at least, constrained by demand – they prize trade surpluses over trade deficits. Comecon countries, by contrast, with their chronic tendency to shortage, always want to import more than they export. Running a surplus with another Comecon country amounts to giving it a free loan, and therefore constitutes a form of economic madness. Deficits are good, surpluses are bad – at least when you look at the looking glass from the Eastern side.

Shortages in several Eastern countries seem to be getting somewhat worse, with freer travel and more cross-border shopping by East Europeans in one another's countries and – perhaps more significant – with the disruption inherent in perestroika. But shortages (meat queues in Poland, five years' wait for a Soviet-made Lada car in Hungary) have long been endemic. For fear of popular unrest, East European governments have generally not raised prices sufficiently to stimulate supply and depress demand, and so "clear the market". Another problem is the "soft" financial conditions for Comecon firms which makes them hoard intermediate goods and place incessant investment demands on the state.

Incompatible

Even without shortages, a tautly planned system in which all goods are spoken for and none left over is not only unpropitious for currency convertibility with the West, but downright incompatible with it.

East European governments still prohibit the export of their currencies. But officials in countries like Hungary and the Soviet Union have talked of making the forint and rouble at least externally convertible. Foreigners, but not Hungarians or Soviet citizens, would have tha right to change forints or roubles into Western currencies.

But even that is day-dreaming. Obviously it would be slightly less of a mirage if a higher oil price and a lighter debt burden were to boost hard currency reserves in the Soviet Union and Eastern Europe, respectively. But oil prices cannot be depended on, and there are limits to debt servicing capacities.

The real problem is that while Comecon currencies are theoretically legal claims on the goods and services of Eastern countries, these claims are not freely exercisable; they never will be, as long as central planners remain the allocators of all goods and services. The Gosplanners of the East obviously do not want such claims building up in foreign hands (which is one reason why they ban currency export). But until Comecon currencies have the backing of convertibility – into Eastern goods and services as well as Western monies – no Westerner in his right mind would want to hold them.

LETTERS

An ugly inheritance

From Mr John Warren.

Sir, Further to Ian Davidson's article on the French Revolution (January 12), the relevance for today of these events is not the weary, tepid and irrelevant conflicts between left and right (or Marxism and proto-capitalism), but the more important, more enduring human issues of terrorism and gangsterism.

The tragedy of the high-minded, logical and legally fastidious Maximilian Robespierre was that he believed implicitly in Rousseau's conception of human nature and the inherent virtue of the "natural man". In the heaving, seething mass of conspiracy, propaganda, insurrection and war that engulfed Europe, it is no surprise that virtue was a commodity more scarce than food or *culottes*. The guillotine became the Committee of Public Safety's doomed pruning shears of vice – turning finally on the incorruptible and bewildered Robespierre himself.

It is the greatest irony that both the Terror and the Revolution ended with the death of Robespierre (according to Barère – reliably, for once) but the real gangsters and natural terrorists survived into Thermidor and Empire.

It has ever been thus, and today throughout the world "virtue" remains as fragile and elusive as ever, while the post-Revolutionary inheritance of gangsterism and terrorism flourishes everywhere.

John S. Warren,
Flat 5F, Golf Court,
Strathview Park,
Netherlee,
Glasgow, Scotland

Unity of a sort

From Mr Antonio Martelli.

Sir, If the historical foundations of the preliminary report of the Delors Committee are really those quoted in Mr Peter Norman's article (December 12), it will hardly be a contribution towards an understanding of the problems of European economic integration.

That the whole economy of southern Italy was badly damaged by national unity in 1861 is a hard-to-die myth which does not stand serious examination. Italian modern historians of various tendencies agree, in fact, on one point: it was not an excess but rather a lack of integration with the rest of the country which prevented southern Italy from taking full benefit of unity.

If the south did not keep full pace with the growth of northern Italy – which has been among the fastest in the world – it still managed quite well compared to others. In 1860 its development level was more or less the same of Greece. This latter country, spared the evils of integration with a stronger area, will have a *per capita* income of about $5100 in 1989. Next year southern Italy will have a *per capita* income of about $10,500. Whatever the other problems of the *Mezzogiorno*, this can hardly be called, comparatively, an "economic disaster".

In response to the German parallel mentioned: if German political union was arrived at 55 years after – monetary unity 49 years after – first steps towards economic integration, we could speed up the process just a little in Europe in this century by achieving them in the 1990s – that is, more than 40 years after the creation of the European Coal and Steel Community in 1951.

But the point is that, in a few years, Europeans will have an economic unity of a sort. A political unity, including a common currency and a central bank, is a logical step forward, the postponement of which can only create confusion and damage, particularly to the less developed regions.

Antonio Martelli
Milan,
Italy

Bi- or tri-national GEC?

From Mr A.B. Dunlop.

Sir, Might not a solution for the GEC situation be the formation of a bi-national or tri-national company, such as is found with Shell Transport/Royal Dutch, and the two Unilevers?

The scale and effectiveness could exist with the desire for recognisable nationality.

A.B. Dunlop
46 Dick Place,
Edinburgh, Scotland.

EC merger control

From Mr Edward Pitt.

Sir, I refer to Mr Stephen Wilks's letter (January 4) dealing with Mr Thomas Sharpe's article on EC merger control (December 21).

There is agreement on the need for a merger control instrument at European Community level, and that the Commission should be responsible for its operation. The key question is how it will work.

Experience in two other areas where the Commission exercisee exectutive power which can directly affect the economic interests of companies, suggests that how merger control procedure will work is more than a technical issue.

In anti-dumping proceedings and in competition cases, the Community institutions (in particular the Commission, which has administrative responsibility for these areas) can reach or shape decisions which are of considerable economic significance, not only for the companies concerned but also for the EC as a whole.

Furthermore, many cases (particularly in the competition field) are resolved by negotiation and agreement between the Commission and the parties, often without a formal decision.

Mr Wilks suggests that the checks and balances within the Commission's procedure ensure that its decisions and informal settlements are consistent and fair. In fact there are two features of the current system which could diminish its claims to consistency and fairness if applied to merger control. One is practical and the other constitutional:

1. The Competition Directorate General and the Anti-Dumping Division of the External Relations Directorate General of the EC Commission are staffed by skilled lawyers and economists (and people from other disciplines), well experienced to deal with the issues.

Their difficulty is that, as a result of insufficient funding, on occasion it is possible that not enough officials have an in-depth understanding of each case. This shortage of resources means that in practice the influence of one or two officials in a particular proceeding can be decisive on the outcome.

The subsequent internal checks and balances, described by Mr Wilks, sometimes appear to be a formality. This situation is compounded by the fact that, in its administrative functions, the Commission'e actions are not subject to full public scrutiny.

This means that legally adventurous decisions can be taken by the Commission without the public debate which would normally occur, for example, if an EC member state wished to pass legislation or make a change or direction in policy. By the time important issues affecting individual companies come to be reviewed by the Council of Ministers or the Commission as a collegiate body, they are treated as being "too technical" for political discussion, and are often adopted without debate.

2. In defence of the current system it is argued that the European Court of Justice in Luxemburg exercises judicial control over the Community institutions. However, the Court has shown itself reluctant, both in anti-dumping and competition cases, to review the Commission's economic assessment.

In merger cases, long delay before the hearing of an appeal in the Court of Justice will almost certainly mean that an appeal to the Court against a Commission refusal of consent to a merger will, in practice, be unlikely. In view of the impracticalities of appeal to the Court, it therefore becomes even more important that Commission merger decisions are both fair and seen to be fair.

Three things are essential for an effective merger control procedure:

● Adequate resources (that is, people) must be allocated to its implementation;

● The procedure must allow for effective continuing public debate, both on the general policy guidelines to be followed by the Commission and on its approach to individual cases;

● There must be political control (for example, a Commissioner having to explain to the European Parliament why the Commission has taken a particular decision, and answer questions on it, and possibly a residual right of EC member states to override a Commission ruling in an individual case) over what could be complicated economic decisions of considerable importance – not only to the parties concerned, but also to the Community.

Edward Pitt,
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Brussels, Belgium

FINANCIAL TIMES
Monday January 16 1989

Janet Bush on Wall Street

The latest in buy-out boutiques

LODESTAR, one of the growing army of Wall Street investment banking and mergers and acquisition boutiques, sits in cramped, temporary offices, looking no more than an embryonic operation.

Appearances can be deceptive. Its two founders built up a considerable track record at Merrill Lynch. Mr Ken Miller was head of the M & A department at Merrill Lynch Capital Markets and Mr Tull Gearreald was the managing director in charge of corporate finance.

Within a few months of leaving Merrill, Miller and Gearreald had bagged a considerable investment by Yamaichi Securities, boasting the largest M & A department in Tokyo.

Yamaichi took a 20 per cent stake in Lodestar's M & A advisory business and committed $100m to a $250m fund called Interlink. Around half of that has been sold on to Yamaichi's clients.

This is the third US investment bank to be backed by one of the big four Japanese securities houses: Blackstone is doing work with Nikko and Wasserstein, Perella with Nomura. Speculation now rages about whether Daiwa will also take a stake with a Wall Street firm.

A few days ago, Lodestar announced that Mr Robert Baldwin, former chairman and president of Morgan Stanley, was being brought in as partner and chairman. Mr Baldwin has a formidable array of contacts in corporate America and on Wall Street and, according to Mr Miller, is a bold and imaginative deal maker.

Competition for M & A and buy-out advisory work is tough and Lodestar faces the formidable task of building its business from scratch against experienced M & A teams at the large Wall Street securities houses as well as established boutiques such as Wasserstein, Perella.

The first test was raising money for the fund. The target was $500m but, after an arduous year when some Wall Street securities houses were tapping the market for their second leveraged buy-out funds, Lodestar launched the fund with $250m.

Lodestar's key selling point is its commitment to friendly buy-outs, a line which goes down well with corporations and investors who became disenchanted with the naked aggression on display during the fight over RJR Nabisco.

Indeed, one of the hottest issues in Congress at present is whether legislation should be passed to discourage hostile takeovers and particularly those involving a high level of junk debt.

Lodestar's Interlink fund will be used to build toehold stakes in listed companies of up to 20 per cent. Only with the company's agreement would the stake be raised any further.

Mr Miller believes building a stake in a company is a good way to open a dialogue which could lead to the chance to work on a restructuring or buy-out. "The way you buy shares is a form of communication with the company," he said.

Mr Gearreald said that he had looked at around 2,000 companies in the $100m to $500m range targeted by Lodestar and judged that maybe 200 of these could benefit substantially from restructuring.

While Lodestar has been painted as a friendly takeover business in contrast, for example, to Kohlberg, Kravis Roberts, Miller and Gearreald are not strictly against junk or leveraged buy-outs and are not "soft" when it comes to putting deals together.

While at Merrill, Mr Gearreald presided over the restructuring of Gelco and defended it against a hostile takeover from the New York-based investment company Coniston Partners through the purchase of Gelco preferred stock.

Gelco, a leasing company, completed the restructuring and was bought – days before the stock market crash – by GE Credit Corporation for three times its share value before the restructuring.

Mr Miller helped Mr Sumner Redstone, president of the National Amusements Cinema chain, take control of Viacom, the cable TV and radio company, in a fierce battle with its own management which planned a buy-out leveraged with junk bonds.

Mr Redstone won with a bid financed by bank debt and, despite the widespread opinion that he had overpaid, some analysts believe Viacom is now worth nearly three times what he spent.

Lodestar is hoping to replicate these former glories in the brave new world beyond Merrill Lynch.

Clouds of suspicion over Rabta

Peter Marsh on calls for inspection of Libya's chemicals plant

A visit by an independent engineering team to the chemicals production complex at Rabta in Libya – which the US says is for making chemical weapons but Libya insists is for pharmaceuticals production – would quickly establish which of these versions of the plant's role was correct, according to representatives of the West's chemical industry.

Chemicals experts say that although a pharmaceuticals factory and one for making chemical weapons might look similar from the outside, an internal inspection would easily pinpoint specific features which indicated the plant's purpose.

In the two weeks since the US made its allegations about the Rabta facility, no independent examination of the plant has been made by outside sources.

A week ago Libya invited Western journalists to inspect the plant, but they were given only a cursory look at the outside of the facility in darkness.

Chemicals experts believe that if the US's view of the plant's role is correct, the Rabta complex is most likely to be designed to make the chemical warfare agent known as mustard gas.

This would be produced in a factory as an oily liquid which evolves a lethal vapour when spread on the ground or in the air.

The US believes West German chemical companies have helped Libya build the plant. In the past few days, prosecutors in West Germany have opened a criminal investigation into Imhausen-Chemie, a small German chemicals company which has been at the centre of these allegations.

Another central figure is Mr Ihsan Barbouti, a London-based businessman who helped to provide chemical engineering equipment to the Rabta plant between 1985 and 1987.

Peter Carter-Ruck and Partners, London solicitors acting for Mr Barbouti, said that to the best of Mr Barbouti's knowledge the plant was for making pharmaceuticals. A spokesman for the solicitors said he could not elaborate further on Mr Barbouti's involvement in the project.

Over the weekend, Mr Barbouti was not at his London home, where yesterday he was said to be away at an unknown place. He was due to return in the next few days.

The controversy over the true purpose of the Rabta plant involves several elements:

● Detailed plant engineering: According to Western chemical engineers, it would be fairly easy to tell by looking inside the Rabta plant whether it was for pharmaceuticals or for making a substance such as mustard gas.

Most pharmaceuticals are made as solid tablets – in which case a plant for producing them would have powder-handling facilities and other systems for mixing solid ingredients – while a mustard gas factory would be designed for handling only liquids in the final production stages.

Most pharmaceutical factories in developing countries buy in solid raw materials, called intermediate chemicals, from other chemical suppliers and mix them in set ratios to produce specific classes of drugs such as antibiotics, anti-inflammatory preparations or painkillers.

If the Rabta plant were for pharmaceuticals it would be almost certainly be geared towards making one or more specific drug classes, and a detailed examination of the plant would probably give clues as to which these were.

According to one UK pharmaceutical industry manager, it would be highly unlikely for a plant engineer to be able to switch a factory from making pharmaceuticals of this kind to one for producing mustard gas without this being glaringly obvious to an inspection team of engineers.

● Site of Rabta plant: Representatives of the chemical industry are puzzled by the location of the Rabta plant, 400 miles away from a big new Libyan petrochemicals complex at the port of Ras Lanuf. If the Rabta plant were for pharmaceuticals, these observers say, it would have been far more logical for Libya to have sited this at the Ras Lanuf complex – which includes an oil refinery, a power plant and a facility for making 300,000 tonnes a year of ethylene, a basic raw material in the chemical industry.

A pharmaceutical plant at Ras Lanuf, which Libya has constructed over the past decade at a cost of $5bn and with much help from Western engineering contractors, would have been able to gain access to supplies of water and energy and also fire-fighting systems already installed at the Ras Lanuf site.

Mr Roger Longley, a director of Chem Systems International, a London-based chemicals consultancy, said it was "most unusual" to see a developing nation like Libya put different types of chemical plants in widely separated locations rather than siting them together.

● Requirement by Libya for drugs production: Some chemical industry observers say it would be highly unusual for Libya, with its small population and relatively newly-established chemical industry, to have any need to move into the specialised business of drugs production. Comparatively few developing nations such as Libya have moved into this field rather than buying in their drugs from abroad.

"There's virtually no market for drugs in Libya," said Mr Bob Muller, a chemicals analyst at SRI International, a California-based chemicals consultancy.

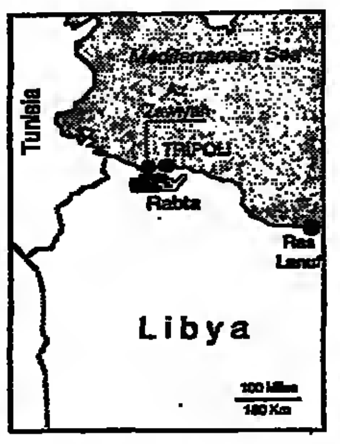
"If I was asked to advise where to place a pharmaceuticals plant, then there are about 100 countries I would advocate putting it before I came to Libya."

● Involvement in Libya by international chemical engineering companies: In the past decade many European and US chemical engineering contractors have been active in Libya.

The main involvement has been in working on the Ras Lanuf complex and on a big oil refinery at Az Zawiyah, near Tripoli. Libya has also been involved in detailed discussions with foreign contractors about possible participation in plans to build new chemicals facilities at Ras Lanuf to make ethylene-based materials such as plastics and ethylene glycol, a product used for antifreeze and as a paint additive.

Among the engineering companies which have had contacts or done work in Libya in the past decade are Stone and Webster of the US and Italy's Snamprogetti and Technimont, a subsidiary of Montedison. There has also been involvement by many other, much smaller engineering subcontractors.

Besides the West German companies, which the US suspects may have helped in the Rabta plant, there would have also been plenty of opportunity, in theory at least, for companies such as these to have been asked to provide equipment or expertise for the factory.



Bonn opposition challenges Kohl

West German Chancellor Helmut Kohl came under strong attack from the Bonn opposition this weekend over his handling of allegations that West German companies sold equipment for a suspected Libyan chemical weapons plant, writes Andrew Fisher in Frankfurt.

Mr Hans-Jochen Vogel, head of the Social Democratic Party (SPD), accused Mr Kohl of severely damaging West Germany's foreign and domestic political reputation by not acting months ago on intelligence information that West German companies might be involved.

Mr Friedhelm Ost, government spokesman, said a committee of experts, back from the US on Saturday, had found nothing in US evidence on West German participation in the alleged Libyan chemical weapons plant that would stand up in court.

Replying to Mr Vogel's charges, Mr Ost said there was a difference between tip-offs and hard information.

Czech police clash with demonstrators

By James Blitz in London

HUNDREDS of Czechoslovak police clashed yesterday with about 2,000 people assembled in Prague to commemorate the public suicide of Jan Palach, a Czech student, 20 years ago.

Yesterday's demonstration was the third serious gathering of opposition groups in Prague in the past six months.

At least one person was injured and several others badly beaten as riot police moved in on the crowd, which had gathered on Wenceslas Square, the kilometre-long boulevard at the centre of the capital. There were at least 12 arrests.

Witnesses said that police charged as a large section of the crowd moved towards the statue of St Wenceslas, where Palach set fire to himself on January 16 1969 to protest against the Soviet invasion in 1968.

The demonstrators fled down the length of the square, amid cries of "Gestapo", but about 800 reformed to sing the national anthem. They were attacked again as they shouted, "Freedom, Freedom, Freedom!"

Police, many with dogs on leashes, then charged into another 1,000 people gathered at the opposite end of the square, using three huge water cannon to force them into side streets.

Two people trying to help an old woman who fell in the melee were seen being beaten by police. Demonstrators were also seen surrounding policemen, yelling for an ambulance to assist somebody they said was badly injured. Yesterday's demonstration went ahead despite a ban imposed by the authorities last week. In the last few days, police have made repeated attempts to dissuade people from attending the rally, and have kept track of student movements.

There had been anonymous threats that someone might copy Palach's self-immolation at yesterday's gathering, but the threat was not carried out.

The largest recent demonstration in Prague occurred last August, on the 20th anniversary of the Soviet invasion.

In October, riot police charged 5,000 demonstrators commemorating the 70th anniversary of Czech independence in Prague. The following month an independent meeting of intellectuals from East and West was broken up in a Prague hotel restaurant.

Titans gather to play out a power game

Continued from Page 1

Last March, Mr Welch first met Lord Weinstock. GE had digested the acquisition of CGR, the French medical electronics business it had bought from Thomson, and Mr Welch thought it needed to do deals in other sectors of its business to prepare for 1992.

He outlined to Lord Weinstock a plan of pooling their European activities in four sectors – domestic appliances, power engineering, medical electronics and electrical distribution equipment.

At around this time, GEC had started detailed negotiations with Alsthom, owned by Compagnie Générale de L'Electricité (CGE) of France, about pooling all their activities in power engineering. GE was brought into these discussions, but fairly quickly its involvement was limited to gas turbines which account for about 10 per cent of the total.

Mr Welch's next move came in June, when he again met Lord Weinstock and meeting between the companies began.

Late in September, Mr Karlheinz Kaske, chief executive of West Germany's Siemens, *dropped by to see Lord Weinstock.* Mr Kaske also wanted a deal with GEC on power engineering, but Lord Weinstock was *not* keen.

He felt that Alsthom's technology was more suitable. He also was worried that Siemens' power engineering interests were so much bigger than GEC's *that he would be the* junior partner.

Back in March 1988, GEC and Plessey had merged their telecommunications businesses into a new 50-50 joint venture, GPT. However, both sides realised that GPT would need a strong foreign partner if it was to remain viable.

The most attractive option to Lord Weinstock was a deal with Siemens, because of its European credentials.

In September, Lord Weinstock decided that Siemens and GEC should launch a joint bid for Plessey. This would find a partner for GPT and also get hold of Plessey's defence businesses – an earlier attempt in 1986 was frustrated by the Monopolies and Mergers Commission (MMC).

Mr Kaske agreed in principle within a few days. Meanwhile, GEC's negotiations with GE had stalled.

When GEC and Siemens launched their £1.7bn ($3bn) bid for Plessey on November 15, the pace quickened. The next Monday, Mr Gomez of Thomson arrived in London to see Lord Weinstock. He wanted a slice of Plessey's defence business, arguing that GEC/Siemens would have to sell part of it to get round the MMC. Lord Weinstock refused to give a definite commitment.

Meanwhile, Lazard was pursuing various options for a defence for Plessey. One would have involved a merger between Plessey and STC, which would then have bid for GEC. This collapsed before Christmas, because it was impossible to agree on terms.

At the same time, GE hired N.M. Rothschild. The merchant bank came up with at least one alternative way of structuring a bid for GEC, fronted by Lord King, chairman of British Airways.

Lord Weinstock soon got wind of Lazard's plans and GE's possible involvement. He confronted Mr Welch with the rumours that GE was involved in a bid for GEC. The GE chief confirmed there was a grain of truth. Lord Weinstock then told him the four-pronged deal they had been talking about since March was still on.

Lazard's plans, however, appeared to be flagging and it was only after Christmas that they got going again. The shape of the consortium, however, had now changed and centred on a shell company, called Metsun, which was to be chaired by Sir John Cuckney.

The revised plan effectively cut GE out of the action. Lazard appears to have been worried about the implications of too great an involvement by foreign companies.

Mr Fresco was not told about the new structure until just after the New Year.

By early last week, STC was reassessing its role in the Metsun consortium. After a board meeting on Tuesday, Mr Arthur Walsh, *chief executive,* said STC was unlikely to take part. The company thought the price of nearly £1.8bn being asked for the whole of GPT was more than it could afford.

Attempts to change STC's mind failed. Towards the end of the week, Lazard opened serious negotiations with AT&T to fill STC's place.

Meanwhile, last Tuesday, Mr Welch arrived in London with a retinue of advisers.

He "danced seriously" with Metsun. However, Lord Weinstock's assurance that the deal was still on swayed Mr Welch over to the GEC camp.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	S	14	57	Malta	F	15	59	Rhodes	S	12	54
Algiers	F	15	59	Edinburgh	C	12	54	Manchester	C	11	52	Rio de J'o	C	29	84
Amsterdam	C	08	46	Faro	S	15	59	Manila	F	32	90	Rome	F	15	59
Athens	S	12	54	Florence	F	04	39	Melbourne	S	31	88	Salzburg	F	07	45
Bahrain	S	17	63	Frankfurt	F	08	46	Mexico City	F	24	75	San Francisco	F	12	55
Bangkok	F	31	88	Funchal	C	17	63	Miami	C	25	77	Seoul	F	01	34
Barcelona	S	12	54	Geneva	F	10	50	Milan	Fg	03	37	Singapore	R	30	86
Beirut	R	12	54	Gibraltar	C	10	50	Montreal	C	00	32	Stockholm	C	06	43
Belfast	C	11	52	Glasgow	R	11	52	Moscow	C	00	32	Strasbourg	S	06	43
Belgrade	S	06	43	Guernsey	C	10	50	Munich	C	07	45	Sydney	F	25	77
Berlin	F	06	43	Helsinki	Sn	01	34	Nairobi	F	23	73	Taipei	R	13	55
Biarritz	C	09	48	H. Kong	C	12	54	Naples	e	13	55	Tangier	F	16	60
[illegible]	e	27	81	Innsbruck	e	04	39	Nassau	C	25	79	Tel Aviv	R	16	61
[illegible]	F	09	48	Inverness	F	12	54	New Delhi	F	19	66	Tenerife	S	19	66
[illegible]	F	09	48	Islamabad	F	18	64	New York	C	04	40	Tokyo	C	07	45
[illegible]	F	08	46	Istanbul	C	07	45	Nice	S	14	57	Toronto	Sn	-1	30
[illegible]	C	31	87	Jakarta	R	30	86	Nicosia	C	13	55	Tunis	C	15	59
[illegible]	C	17	63	Jersey	F	11	52	Oporto	e	14	57	Valencia	S	15	54
[illegible]	F	25	77	Jo'burg	F	27	81	Oslo	C	03	43	Venice	Fg	00	32
[illegible]	F	24	75	Lima	–	–	–	Paris	F	11	52	Vienna	F	09	48
[illegible]	S	16	59	Lisbon	F	15	59	Peking	F	01	34	Warsaw	C	08	46
[illegible]	C	-1	30	London	C	11	52	Prague	S	05	41	Washington	C	04	39
[illegible]	S	09	48	Los Angeles	F	18	59	Reykjavik	C	-1	30	Zurich	C	07	45
[illegible]	C	08	46	Luxembourg	Fg	01	34								
[illegible]	S	16	59	Madrid	F	15	59								
[illegible]	F	08	52	Majorca	S	17	63								
[illegible]	F	11	52	Malaga	S	16	61								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

Business as usual in Tokyo

When just about every broker and fund manager in town is predicting an exalted future for one particular market, normal mortals might feel that something awful is about to happen. But normal mortals have been wrong before - quite a lot of the time about the Tokyo market. And though the sight of the Nikkei tripping lightly from peak to peak must at some point attract retribution from the heavens, all the signs at the momant are: not yet awhile.

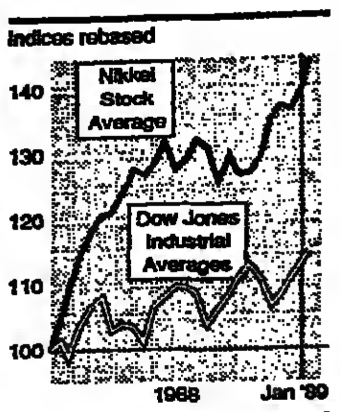
Today, Tokyo is sleeping off the effort of last week's exertions, which put the index up by 3.6 per cent in five trading days. It may return from the long weekend with enthusiasm cooled by the break; but the weight of arguments in favour of a continued rise should soon get the Nikkei moving again. Even on its own, the weight of money argument is persuasive: first there is all the money sidelined while the Emperor was ill, which is now falling head over heels into equities; and then there is an extra Y1.5 trillion or so in net bond redemptions expected next month. Bond yields are still the right side of 5 per cent by enough of a margin to send that money into equities.

Meanwhile, the economy seems to have achieved what everyone seeks but no one else has found: high growth with low inflation. Indeed, in terms of fundamentals, there is very little to spoil the view; economic growth, corporate profits, interest rates and inflation are all on the equity market's side. If all this seems too rosy for words, then focus on whether a weaker yen and stronger oil price could lead to higher interest rates. Bnt unless they do - and the odds are not on such a scenario at the moment - there seems little short term cause for dismay. As long as all those yen are held captive in Tokyo by the exchange rate, it is hard to see Tokyo disappointing by much.

Index funds

From the determination with which fund managers are flogging index funds - Lazards, James Capel and London & Bishopsgate joined the throng last week - one might have thought they were out to kill off the industry altogether. The standard way of marketing these funds seems to involve rubbishing the skills of the fund manager, using carefully chosen statistics to prove that most underperform the revelevant indices most of the time.

It is not suprising that most of the tracker funds so far have come from the newcomers to the industry, with the old timers snch as M&G loath to admit what would feel like defeat. Instead, they have responded with statistical proof of their own investment prowess, in the hope that this latest batch will go the way of the once-fashionable energy and technology funds.



While that hope seems vain, probably the old fashioned *managers should stop* worrying. The war between the two camps over who has performed and who has not is both misleading, and rather misses the point. Most of the marketing for index funds proves only that managed funds underperform the index when all the costs are taken into account. Once the costs of investing in a tracker fund are included, underperformance is more or less guaranteed. More important, the new funds should probably be seen not as alternatives but as additions to managed funds, providing a home for money that is too risk-averse for managed trusts, and too daring for the building society.

That explains the timing of the index craze. Since the crash it has become almost impossible to sell straightforward equity funds, whereas selling a more predictable index fund seems somewhat easier. Moreover, running such funds can be profitable, especially in a closed end vehicle that does not have to deal with bothersome flows in and out. The 0.65 per cent fee on London & Bishopgate's fund should make the first ever indexed investment trust a nice little earner for Mr Maxwell.

The great shift to international investment has also played its part in the index fashion. Any portfolio without a substantial chunk of Japan has underperformed the world index, while specialist Japan funds have also done mnch worse than the local index. However, these numbers shonld be used with care. Japan funds have done badly this decade mainly because they have been underweight in financials; but last decade they outperformed for the same reason. There is e danger that once again the fund management industry has jumped onto a bandwagon when it is too late.

Wall Street

The behaviour of Wall Street over the last few weeks has been rather perverse. Back in November when Mr Bush won the election, the market fell by 4 per cent and there was s run on the dollar. Since then US equities have rallied by close to 10 per cent, the world's central banks are having trouble stemming the dollar's rise and worries of yet higher US interest rates have been forgotten as Wall Street's favourite son prepares for this week's presidential inanguration. Is Mr Bush about to inherit some of his predecessor's legendary luck in *financial matters?*.

Wall Street has now recouped roughly half of the losses incurred between its peak of 2722.4 in August 1987 and its low of 1738.7 on Black Monday. Fears of a recession have eased, there is plenty of money on the sidelines as institutional liquidity benefits from record share buybacks and takeover activity, and worries about the dollar have receded for the moment. Meanwhile, last week's news that an industrial heavyweight like Ford Motor had increased its dividend by 25 per cent – putting its shares on a yield of 5.7 per cent - was bound to help sentiment.

However, Mr Bush's honeymoon with the financial markets will probably not last for long. The rally of the past few weeks is evidence of how quickly investor psychology can change and there are plenty of reasons which might trigger a negative response. Here are a few. Oil prices have risen by close to a third since Mr Bush won the election and whilst it may be no more than a temporary blip, it could still put upward pressure on US wholesale prices which grew faster last year that at any time since 1981.

Corporate profit growth is likely to decelerate from the 25 per cent plus rates in 1986 and 1987 to less than 10 per cent in the current year, and the US trade figures could still provide some nasty surprises. Mr Bush inherits an economy where growth is slowing and inflation is rising and this is hardly the fuel for a sustained bull market rally.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday January 16 1989

INSIDE

Fruitful invasion of Continental Europe

Over the past 18 months British companies have spent more than £100m buying up 11 fresh produce distributors in Continental Europe. One of the invaders – Albert Fisher – is now the largest fruit handler in the Netherlands. The trend is a clear response to the erosion of trade barriers opened up by 1992. And British distributors, used to the exacting demands of UK retailers, seem particularly well placed to capitalise on the fragmentation of the continental market. Page 17

A flood of Japanese paper

First a trickle, then the flood: Japanese equity warrant new issues will be hitting the Euromarket heavily in the rest of January and February, raising afresh questions as to whether such a weight of new paper can be absorbed. No-one is forgetting the crash of the market last June, though syndicators at Japanese brokers remain in confident mood. Page 14

Bid volleys from Wardle Storeys

Mr Brian Taylor (left), chief executive of the diversified British group Wardle Storeys, likes to spend his free time shooting pheasants. Game of a very different sort has been in his sights over the past few weeks as he has tried to bag Armstrong Equipment, an industrial fasteners and motor components group, with a hostile bid. But victory is far from certain. Page 18

The perils of new pay practices

Performance-related pay is becoming a symbol for the personnel practices of the modern, flexible, customer-driven business. But, argues Charles Leadbeater in the Business Column, this shift in philosophy creates tricky questions for companies – of definition, measurement and impact on staff morale. Page 30

Market Statistics

Companies in this section

New dynasty captures Dallas-style boardroom

Paul Betts and Lisa Wood explain how one of France's most stormy business soap opera's could be drawing to a close

Mr Bernard Arnault will be moving in this morning to the ritzy Parisian offices of Moët-Hennessy near the Etoile. His arrival will mark one of the most astonishing business coups in French corporate history.

In barely eight months, the 39-year-old Arnault has risen from relatively unknown businessman to head of one of France's most famous but strife-torn companies – Moët Hennessy-Louis Vuitton (LVMH), the champagne, cognac and luxury products group.

Immediately after his appointment as chairman on Friday, he called in company managers to make it crystal clear he was now in charge: "There is no question. He is the boss," Mr Anthony Tennant, the chief executive of British drinks group Guinness, remarked in Paris on Friday evening.

With Guinness, Mr Arnault now controls 43.5 per cent of the fully diluted share capital of LVMH and has gained a dominant position on the company's board, which has been split into two hostile camps ever since the merger 18 months ago between Louis Vuitton, the leather and accessories business, and Moët Hennessy.

Mr Arnault's father, Jean, is chairman of the LVMH supervisory board, while he heads the company's six-man executive board flanked by two other representatives from his own camp and one from Guinness.

So how has he done it, and what does his victory mean both for LVMH and for Guinness?

Mr Arnault's ascent has been widely hailed in France as the victory of a new breed of young French financiers over the traditional business establishment. But he has above all displayed an extraordinary sense of opportunism during the last few years.

Starting off as a property developer in the family business, the cool and workaholic Arnault seized his first big opportunity in 1984 by taking over and engineering the recovery of the bankrupt Boussac textile empire.

He then moved into retailing and the luxury sector with Dior, Celine and more recently Christian Lacroix. By 1987, his Financiere Agache holding company had already built up an annual turnover of more than FFr12bn ($1.9bn).

His opportunity to pounce on LVMH came because of the infighting which followed the 1987 merger: the Moët-Hennessy camp, led by Mr Alain Chevalier, and the Louis Vuitton clan, headed by the veteran Mr Henry Racamier, fell out.

Mr Racamier contacted Mr Arnault while Mr Chevalier looked for support from Mr Tennant, his old friend at Guinness. An uneasy truce was negotiated which gave Mr Arnault, in partnership with Guinness, the opportunity to become a key shareholder of LVMH.

Mr Arnault was not content to play a passive role in a company which, in Mr Tennant's words, was turning into a real life Dallas-type soap opera as a result of the interminable internal squabbles.

Just before Christmas, fearing that a corporate restructuring being proposed by the Chevalier and Racamier camps would dilute his role at the group, Mr Arnault spent nearly FFr4bn to increase his stake to more than 40 per cent. It became clear that there was not room for both Mr Arnault and Mr Chevalier, the group's incumbent chairman, at the top, and last Thursday Mr Chevalier quit.

The emergence of a clear winner should bring a degree of equilibrium to the group: although the internal squabbles have so far not undermined the group's performance – profits for 1988 are expected to rise by 50 per cent to nearly FFr2bn on sales of FFr16.3bn – the rifts were beginning to have a seriously destabilising effect.

Mr Arnault said last week that the time had come to simplify and streamline the structure of LVMH and establish a clear leadership. But he will now have to prove himself not only as a smart financier but also as an industrial manager.

His task will not be an easy one. Even though he was unanimously elected chairman on Friday, the group's traditional family shareholders will clearly seek to maintain their autonomy and voice in the affairs of the company.

Mr Henry Racamier, the head of Louis Vuitton, named deputy chairman of the executive board on Friday, is unlikely to abandon his ambitions to run the Louis Vuitton side of the business with complete autonomy. The Hennessy cognac and Moët-Chandon champagne businesses, which Mr Chevalier spent 18 years building up, are also likely to try to seek a strong measure of management autonomy.

Bernard Arnault: Not content to play a passive role

However, Mr Arnault will have the backing of Guinness, which has emerged from the affair with a considerably enhanced influence at the French group – and, thanks to a low key approach, without stirring up French chauvinism.

It first teamed up with LVMH in 1987, establishing a series of joint ventures with Moët Hennessy in the US and Far East. These made it the envy of other British drinks groups.

Joint ventures are an important part of Guinness's plan to gain greater control over the marketing and distribution of its spirits brands and thus upgrade their international image.

To protect its interests when the LVMH feuding intensified, Guinness, with Mr Arnault, took an equity stake in the group. When the most recent round of share-buying is included, it will end up with a fully diluted holding of 19.6 per cent and a seat on the LVMH executive board. This will be occupied by Mr Tony Greener, managing director of United Distillers, Guinness's spirits subsidiary, and significantly, a former managing director of luxury goods group Dunhill. Mr Tennant is already on the supervisory board.

The total cost of the stake could be as much as £800m, but Mr Tennant insists that the latest £200m investment will not dilute earnings.

The remark might suggest that this year's LVMH figures are looking very encouraging. However, the final outcome must depend crucially on Mr Arnault's navigating skills.

So far he has hardly put a foot wrong. But the next few months will tell whether he can succeed in pulling together the various parts of LVMH and bringing the curtain down on one of the most stormy and theatrical melodramas to hsve shaken a major French company in recent years.

The Delphic tendencies of Mr Bush

By Anthony Harris in Washington

When I was a student, the in book to read was called Seven Types of Ambiguity. This only goes to show that you never know which part of your education is practical; for President-elect Bush may be about to raise the score. It is always difficult to know precisely what he means, for he is rather impressionist in his use of words, but one can usually get his drift. Not always, though.

Last Thursday, for example, Mr Bush said his piece on leveraged buy-outs. The Washington Post, which is against them, said that he was opposed to buy-outs; the Washington Times, which is rather in favour, said that he was opposed to restrictions on buy-outs. The markets are clearly going to have an interesting time reading his lips.

What Mr Bush actually said was that he himself was "one who would, as much as possible, rely on market forces" and was "not opposed to bigness." Sighs of relief from Mr Boone Pickens and the shareholders' lobby. Mr Bush added, however: "I am in favour of the Government seeing that there is no abuse through the tax system." This kind of shimmers when you try to get close to it, for abuse is very much in the eye of the beholder.

The general drift seems to be that if Mr Bush's friend Mr Nicholas Brady, the Treasury secretary, wants to impede LBOs through the tax code, he can go ahead; and Mr Brady has indicated a general unease abont the growth of corporate debt. This suggests that something will be done (and indeed Congress is in a mood to insist on it even if the Administration were not willing on its own).

However, it also suggests that the decision will take rather a long time. Meanwhile, we can expect a rush of attempted buy-outs to beat the restrictions. This may not succeed, though, to judge by the slow progress which Kohlberg, Kravis and Roberts is making in assembling the finance for its $20bn (£11bn) RJR buy-out.

The junk-bond specialists are getting cautious – Drexel Burnham Lambert is now reported to be considering two former chairmen of the Securities and Exchange Commission in its search for a new chairman. Junk bond investors are getting a little choosy. This is partly because of reports that the Federal Open Market Committee is becoming increasingly aggressive in raising interest rates; e recession caused by high short-term rates would be a nightmare for the over-leveraged.

More important, perhaps, the Treasury bood market is beginning to look very attractive. The very flat December retail sales figures were read by investors as confirmation that the 200 basis-point rise in short rates which the Fed has imposed since the summer may be enough to do the job, and that a growth recession at least is now on the cards. If this is right, long rates may already have peaked, even if the FOMC continues to squeeze the short market a bit longer just to make sure.

The scene is set, in short, for a flight into quality; in a recession, yields on Treasuries could fall sharply, but the higher yields on junk bonds are liable to rise. On this scenario, market forces are likely to check the buy-out boom long before Mr Bush is forced to make an actual, unambiguous decision, and he will no doubt be much relieved.

It is worth noting that it is not only the forces in the investment market which are involved here. If interest rates do turn, it will be largely because consumers started to restrain their spending as early as last summer, before the Fed pushed rates up. This will be something of a relief to Mr Bush, who is not happy about the possibility of being forced to deflate the economy just after winning an election on a promise of sustained growth; and it will also increase the demand for the services of Mr Beryl Sprinkel.

Mr Sprinkel, now in his last week as Chairman of the Council of Economic Advisors, will probably be looking to the lecture circuit for a considerable share of his future income, and events are now making his unchanged monetarist beliefs look quite persuasive.

His final Economic Report of the President included a long, well-reasoned attack on the Fed for basing monetary policy on economic indicators rather than on the money numbers.

Mr Sprinkel has obviously been itching to say this for a long time; the money numbers have been very moderate for some months. If the Fed does fall into the old central bankers's trap of doing too much, too late, his fees will rise, providing a further illustration of market forces.

He will be able not only to criticise the fine-tuners at the Fed, but to defend his other long-held belief that a great deal two much is made about the US fiscal deficit; for the latest figures from the Office of Management and the Budget show that the deficit is at present rising, not falling, but the economy may be slowing down all the same. This is actually rather e forbidding report, because it suggests that cutting the deficit is going to be a great deal harder than Mr Read-my-lips may yet realise.

This message is buried in the fine print. On the face of it, it shows that Mr Reagan's farewell budget, which Mr Bush has hailed in principle, would reduce the deficit by nearly $70bn, from the current estimate of $162.5bn for fiscal 1989 to $92.5bn in 1990.

Close inspection reveals a lot of smoke and mirrors. First, $10bn to $15bn of the overshoot seems to be due to bringing some 1990 expenditures forward in 1989. A further $8bn is due to some tricky assumptions abont the annual pattern of spending on thrift industry rescues, and a further $12bn to economic and interest rate assumptions

If we put expenditures back into the years originally intended, smooth the thrift outlays, and adopt consensus economic assumptions, the current year deficit falls back to $151bn, and the 1990 figure rises to $121bn to $126bn. On this figuring, a politically unacceptable Reagan programme results in quite inadequate cuts in the deficit.

There are two broad anti-LBO schemes now under consideration. One, which Mr Brady seems to favour, would start from the fact that junk bonds are in essence, and may in the near future prove in painful fact to be risk capital. The idea is to treat bonds past a certain leverage limit as interest-paying equity, to be services from taxed income. A more radical approach would be to abolish the tax on corporate profits, and impose a cash-flow tax instead.

Both approaches would reduce or eliminate the tax advantages of borrowing, and give corresponding benefits to the Treasury. Combined with a cut in the Reagan defence proposals, and a sensible measure to take thrift rescues off the budget on the water-under-the-bridge principle, it might still enable Mr Bush to scrape home on one of his less ambiguous pledges – no new taxes. Not for voters, anyway.

Economics Notebook

Beware of the statistical trap

THE FIRST law of the economic jungle is to beware of traps. If economic statistics show something different from what rational thinking would suggest, don't just throw out the theory.

The rule is particularly fitting in the run up to a budget. This time last year, three months after the stock market crash, economic indicators pointed to a slowdown in growth, almost certainly anconraging tax cuts announced in the Budget.

But many economic commentators had to scratch their heads for a convincing reason why a drop in share prices should have such a far-reaching impact. In the long run their doubts were justified.

This year the Treasury will be anxious to avoid that pitfall as it looks for signs thet high interest rates are slowing the economy down. Yet it is not obvious what their yardstick will be.

Clearly there are long lags involved. Interest rates started moving upwards in June – six months ago – but still evidence that they are having an effect is sketchy and probably no more definite than the evidence behind last year's phantom slowdown.

Take the housing market. The Treasury cites it as an area where its policy is beginning to work. Turnover has dropped and prices are rising far less rapidly and may, in some instances, even have fallen.

To attribute this soley to high interest rates, however, could be misleading. The link between interest rates and housing costs is not clear. Prices may have cooled simply because of a natural correction after years of rapid growth, coupled with a pause after the change in tax treatment of multiple mortgages in August which had led to frantic activity beforehand. The full impact of interest rates could still be to come.

Instead interest rates effects are likely to be seen earlier in consumer spending. High base rates mean higher mortgages which directly result in less to spend in shops.

Nevertheless it pays to be patient. November's fall in retail sales, even if repeated in figures for December published today, may not be due to interest rate effects but other, easily reversible, factors such as a fall in confidence.

Economic theory suggests the impact on consumer spending takes time. This is illustrated in a study by Michael Dicks of the Bank of England*. His paper, which attempts to improva previous models of consumer spending, finds a link during the 1980s between interest rates and spending on non-durable goods snch as food, clothing and services which account for about 90 per cent of consumption.

Superficially, this is good news for the Government: Although a link with durable goods (washing machines and motor cars, for instance) has long been established, previous economic studies have often found no effect of interest rates ou non-durables. This could be due to other studies looking at the experience of the 1970s and not taking account of financial deregulation this decade.

Less desirable, however, are the time lags implicit in his calculations which can be worked out from the specifications set out in the paper. After six months, only about an eighth of the total effect of a rise in base rates has emerged and even after two years, just half has worked through. In other words, some effects of last year's rises in base rates may not become apparent until data for the first few months of this year are published.

The impact on other indicators could take longer. A downturn in manufacturing output and employment would follow some time after a deceleration in domestic demand. More seriously for nervous financial markets the current account deficit will be one of the longest lagging indicators.

A big additional difficulty is the problem of imperfect information. At best economic statistics refer to the previous month and at worst are so subject to revision that little meaningful can be read into a single month's data. Consumer credit and output figures are particularly volatile.

Probably the indicator least prone to this is M0, the narrow measure of the money supply which consists almost entirely of notes and coins in circulation.

This shonld act as an approximately coincident indicator of consumer spending, particularly non-durables. A possibie bias is that it may underplay spending on durable goods, often bought by cheque.

Its advantage is that M0 figures are available weekly from the Bank of England – so analysts have an almost up to date snapshot of activity. Encouragingly recent monthly figures could be pointing to a slowdown, although this has not yet shown up in annual rates.

But M0 is not a leading indicator of consumer spending. Effects of interest rate rises will take time to feed through. It would be a mistake to assume an immediate moderation is a cue for jettisoning the textbooks and planning fiscal largess in the March Budget.

Ralph Atkins

**THIS WEEK*

US TRADE figures on Wednesday are set to dominate economic news this week but a welter of economic statistics in the UK could also attract considerable attention.

The size of the US trade deficit could determine the future path of the dollar and give a guide to the the extent of adjustment in world trade imbalances. The consensus of analysts forecasts, compiled by MMS International, the financial research company, is for a merchandise trade deficit of $9.6bn in November on a customs imports basis.

US inflation features on Thursday when the consumer price index for December is published. The consensus is for a rise of 0.4 per cent.

Other key statistics, which will give a guide to possible wage and price pressures, include industrial production figures and capacity utilisation figures on Wednesday. Tha consensus is for a 0.3 per cent rise in production and 84.2 per cent ntilisation.

Japanese trade figures for December will be published sometime this week and will show the extent the monthly surpluses increased towards the end of last year.

UK figures include retail sales figures today, average earnings figures on Thursday and monay supply and retail price index (RPI) statistics on Friday. The Government and other analysts will be watching carefully for evidence of tha hoped for slowdown in consumer spending and an easing of inflationary pressures.

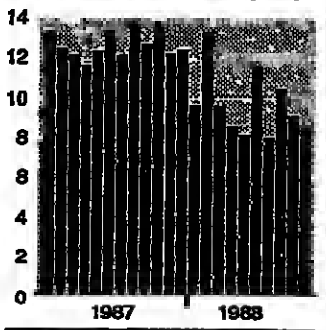
The consensus is for retail sales to rise by 0.5 per cent in December after a 0.6 per cent fall in November. A larger increase could intensify fears that interest rates will have to rise still higher.

On the same theme, consumer expenditure figures for the last three months of 1988 on Friday will show the strength of spending at the end of the year.

The RPI is expected to have increased by 0.3 per cent in December. This would take the annual rate of inflation to 6.8 per cent compared with 6.4 per cent in November. Average earnings are expected to be unchanged at 9 per cent a year.

US Trade deficit

Balance on customs basis ($ bn)



Among December's money supply figures, M0, the narrow measure, is likely to receive most attention. The consensus is for a 0.6 per cent rise.

Other statistics this week (with MMS International consensus in brackets) include:

Today: French consumer prices.

Tomorrow: US manufacturing and trade, inventories and sales in November (+0.3 per cent).

Wednesday: UK public sector borrowing requiremant in December (-£1.2bn). US two-year Treasury note announcement.

Thursday: UK labour market statistics including unemployment (35,000 fall), manufacturing output in November (0.4 per cent rise), vehicle production in December, institutional investment in three months to September. US housing starts in December (1.5m), 52-week Treasnry bill settlement, monthly monetary aggregates. Japanese machinery orders for November.

Friday: Japanese money supply figures for December. UK tax and price index. Cyclical indicators for December.

The interest elasticity of consumers' expenditure. Discussion paper 20, Economics Division, Bank of England, London EC2R 8AH.

INTERNATIONAL BONDS

Japanese equity warrant new issues set to flood in

THE TRICKLE of Japanese equity warrant new issues last week is set to turn into a flood during the rest of January. According to the official calendar, up to $8bn of issues is lined up, with $3bn spread between five launches scheduled for January 26 alone.

February too is set to be busy, with one securities house forecasting that new issue levels will nearly match those to January. As knowledge of this volume has been absorbed by the Euromarket as a whole, old questions about the equity warrant business have been re-opened.

The prime query is whether the market will be able to absorb such a weight of new paper. Events in June last year when the market crashed are cited as the best reason for caution. Further, the longer-term future of the sector is also under debate.

However, syndicate managers at the Japanese brokers that dominate the equity warrant business are in confident mood. They claim that they have learned the hard way how to stay within the market's capacity for paper. They also know that they will continue to find such issues a major source of profits.

The year-end league tables provided eloquent testimony to the extent to which profitability in the Euromarkets last year was sustained by Japanese equity warrants. The particular dependence of the Japanese houses on such deals has been well documented.

Yamaichi, for example, derived some 75 per cent of its new issue business from equity warrant deals, Nikko 72 per cent, Nomura nearly 59 per cent and Daiwa some 58 per cent. Total volume last year was $28.4bn.

However, the houses in question are weary of the negative inferences drawn from such observations. "How many more redundancies would there have been in London without the equity warrant sector?" asks one official at Yamaichi.

The same official also points out that while many of this year's Eurobond issues are currently trading on or just outside fees, equity warrant deals have generally gone to a sharp premium to the issue price. The Sumitomo Chemical Company $400m issue on Thursday, for example, was trading on Friday at 107¾ per cent.

Underpinning the houses' confidence is the strength of the Japanese stock market, which is still breaking new ground, and the fact that the warrant market is now much more orderly than a year ago. The Japanese houses meet regularly to monitor coupon and price levels for warrant deals, while the Ministry of Finance queueing system means issues are well sign-posted. London's secondary market dealers also meet monthly.

The fact that many of January's issues will be from well-known companies seeking large sums is also welcomed. "A series of large issues from big names should be much better for sentiment and liquidity then last year's tendency for lots of small deals," says a London warrant trader.

Borrowers in January will include Mitsui, Komatsu, NEC, Mitsubishi Oil, Canon, Kobe Steel and Nippon Steel, several of which are launching $1bn bonds.

Among the more attractive reasons for issuing warrants, the ability to achieve cheap funding remains paramount. Favourable swap opportunities combine with low coupons to yield financing at extraordinarily low interest rates.

According to several sources, while in 1988 it was standard for issues to be swapped toto yen, it is now common for borrowers to enter into more complicated swaps. Reflecting the increasingly international business interest of many Japanese corporations, currencies now considered include the D-Mark and the Swiss franc, as well as the currently popular switch from fixed into floating dollars.

Speculation that a welter of new paper will depress prices, possibly forcing lead managers to raise coupons in order to attract buyers, is given short shrift by syndicate heads.

"We don't foresee raising coupons. If there is a sudden reversal in Tokyo or if there is trouble in the US Treasury market, then the warrant market might meet some resistance, but it's unlikely," said the official at Yamaichi.

Far more likely is that issues will meet heavy demand, allowing a round of coupon cutting. An official at Nomura said that any move towards this was likely to be restrained by prudence.

However, there are unofficial guidelines which indicate that if an issue reaches a certain premium to the grey market then the lead manager may cut the coupon by up to ⅛ point.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sumitomo Bank§◆	300	2004	15	3⅛	100	Sumitomo Finance Int.	3.125
Komatsu Ltd.‡◆	300	1993	4	4⅛	100	Nomura Int.	4.125
Nichimen Corp.‡◆	200	1993	4	4⅜	100	Daiwa Europe	4.375
World Bank◆	500	1999	10	9⅝	101⅜	Deutsche Bk Cap.Mkts	9.407
Nitto Boseki‡◆	200	1993	4	4⅜	100	Daiwa Europe	4.375
Japan Finance Corp.◆	150	1996	7	9⅞	101⅜	Bank of Tokyo	9.546
Nippon Credit Bank◆	200	1993	4	9⅞	101.45	Nippon Credit Int.	9.423
Scand.Airlines System◆	200	1999	10	10	101¼	CSFB	9.798
Mitsubishi Trust Fin.◆	120	1996	7	10⅛	101⅞	Bankers Trust Int.	9.743
Banco di Roma(London)◆	100	1994	5	10	101¾	Morgan Stanley	9.544
PKbanken◆	100	1994	5	10	101¾	Salomon Brothers	9.544
Sumitomo Forestry‡	150	1993	4	(4⅝)	100	Daiwa Europe	★
Union Bank of Finland◆	125	1996	7	10⅛	101¾	Bankers Trust Int.	9.768
Kansallis-Osake-P.◆	100	1996	7	10⅛	101⅞	Shearson L'man Hutton	9.743
Sumitomo Chemical‡	400	1993	4	(4½)	100	Nomura Int.	★
Daishowa Paper Mnf.‡	100	1993	4	(4⅝)	100	Nikko Secs. (Europe)	★
CANADIAN DOLLARS							
Hydro-Quebec◆	500	1999	10	11	101⅛	Merrill Lynch	10.811
Ford Motor Credit◆	150	1992	3	11⅛	101.35	ScotiaMcLeod	10.577
Toronto-Dominion Bk(c)◆	65	1992	3	11	100.80	UBS (Secs)	10.674
Metro Toronto◆	75	1999	10	11	101⅛	Wood Gundy	10.811
ASLK-CGER◆	75	1991	2	11½	101½	UBS (Secs)	10.628
Cen.Desjardins Quebec◆	100	1994	5	11⅛	101¾	CSFB	10.656
Export Dev. Corp.◆	100	1996	7	0	50.52	Wood Gundy	10.246
Bk Handel und Ind.◆	40	1994	5	10½	101¾	Dresdner Bank Int.	10.038
Skand.Enskilda Banken◆	150	1992	3	11¼	101.40	Goldman Sachs	10.680
City of Montreal◆	100	1993	4	11¼	101¾	Societe Generale	10.690
AUSTRALIAN DOLLARS							
State Bank of Victoria◆	75	1991	2	15¼	101¾	Merrill Lynch	14.185
Exxon Capital Corp.◆	115	1990	1	15¼	101.15	Salomon Brothers	13.940
Soc.Generale Australia◆	75	1991	2	15¼	101¾	Societe Generale	14.185
ABN Australia◆	50	1994	5	14½	101⅞	ABN	13.954
Bank of Scotland(d)◆	200	1994	5	7¼	102	Merrill Lynch	6.765
Rabobank Nederland◆	50	1992	3	14½	101⅝	Rabobank Nederland	13.802
Swedish Export Credit◆	100	1990	1	15½	101⅛	Nomura Int.	14.215
NEW ZEALAND DOLLARS							
BP America◆	60	1994	5	14	101⅞	Hambros Bank	13.461
D-MARKS							
Sumitomo Bank§◆	300	1994	5	2⅝	100	Dresdner Bank	2.625
Nat. Bank of Hungary◆	200	1996	7	8⅝	100	Bayerische Vereinsbk	8.625
Oest. Kontrollbank◆	200	1994	5	5½	100¾	Deutsche Bank	5.325
EIB◆	600	1999	10	8¼	100⅝	Deutsche Bank	8.164
IKB Int. (Luxembourg)◆	75	1994	5	5¾	100	Industriekreditbank	5.750
Abbey National B/S◆	250	1993	7	6⅜	101¼	WestLB	6.150

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
SWISS FRANCS							
Sumitomo Bank§◆	350	1994	-	½	100	UBS	0.500
Sumitomo Bank★★§◆	350	1994	-	½	100	Banca del Gottardo	0.500
Hiroshima Bank★★§◆	100	1993	-	½	100	UBS	0.500
Maruko Inc.★★§◆	70	1993	-	½	100	Morgan Stanley	0.500
State Bk New S.Wales★★◆	150	1996	-	4¾	100¼	UBS	4.707
Austria◆	250	2014	-	5	100	UBS	5.000
Cie Bancaire★★◆	100	1994	-	5	101¼	Bqe Paribas (Suisse)	4.714
First Credit Corp.★★◆	30	1994	-	4⅞	100⅛	LTCB of Japan	4.846
Tsuzuki Denki Co.★★§	60	1993	-	(½)	100	Credit Suisse	★
Kabuto Decom Inc.★★◆	18	1994	-	4⅞	100	Takugin Finanz	4.875
Yamakawa Ind.Co.★★◆	20	1994	-	4⅞	100⅛	Swiss Volksbank	4.846
STERLING							
Abbey National B/S(a)◆	100	1995	6	11⅝	101⅝	J.P. Morgan Secs.	11.100
Britannia B/S(b)‡◆	125	1995	6	10bp	100	Hambros Bank	-
Alliance & Leicester◆	60	1994	5	11⅜	101⅜	Bankers Trust Int.	11.183
ECUs							
EIB◆	150	1996	7	8	101¼	ABN	7.762
FRENCH FRANCS							
Eurofima◆	500	1996	7	8⅝	101⅜	CCF	8.358
Norsk Hydro◆	500	1995	6	8¼	101¼	BNP	8.476
DANISH KRONER							
PKbanken◆	300	1994	5	9	101⅝	Den Danske Bank	8.587
LIRE							
World Bank◆	150bn	1994	5	10¼	101⅞	Banco di Roma	10.252
PESETAS							
Eurofima◆	10bn	1999	10	11⅜	100	J.P. Morgan	11.375
Council of Europe◆	12½bn	1994	5	11⅝	101½	Bankers Trust S.Fin.	10.969
LUXEMBOURG FRANCS							
Kenwood Fin.Ned.★★◆	300	1993	4	7½	100¼	C.d'Epargne de l'Etat	7.425
Parbel Int. Finance★★◆	300	1994	5½	0	67.60	Bqe Paribas (Lux)	7.379
Belgelectric Fin.(e)★★◆	900	1994	5	7½	100	Cr.Europeen,BGL,BIL	7.500
Enso-Gutzeit★★◆	300	1994	5	7½	100	Kansallis Int. Bank	7.500
Alandsbanken★★◆	300	1994	5	7¾	100¼	Kansallis Int. Bank	7.688
EIB◆	1bn	1997	8	7⅜	100½	Kredietbank Int.	7.290
YEN							
Council of Europe◆	25bn	1999	10	5	101¼	Daiwa Europe	4.839

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Put option 1993 at 100. b) 10bp over 3m Libor. c) Fungible with C$100m issue launched in Dec.1988. d) Redemption linked to A$/yen spot rate at maturity. e) Launched in three tranches of LFr300m each tranche. Note: Yields are calculated on AIBD basis.

EUROCREDITS

Tokyo bankers rush to join KKR funding

REMONSTRATIONS from Japan's regulatory authorities about the dangers involved in financing leveraged buy-outs have apparently failed to discourage banks there from funding part of Kohlberg Kravis Roberts' $25bn acquisition of RJR Nabisco.

While a total of $13.6bn is being sought for the first phase of the financing, at least eight Japanese banks are said to have committed $4.4bn alone. Dai-Ichi Kangyo Bank, Long Term Credit Bank of Japan, Fuji Bank and Sanwa Bank are said to have committed $600m each, while Industrial Bank of Japan, Sumitomo Bank, Mitsubishi Finance and Nippon Credit Bank are said to have committed $500m each. The deadline for bank commitments has been set for tomorrow and, according to Bankers Trust, one of the four bank arrangers, syndication is progressing well.

A quick examination of the fee and margins on the loan package offers some insights into why banks are willing to plunge into such a highly leveraged arrangement. If the new owners of RJR Nabisco repay on time, the combination of margins and fees on the loans offer banks returns virtually unheard of in syndicated lending.

Even before the borrowers begin paying interest, front end fees will be around $332m, assuming each bank receives the average fee. However, because many banks are likely to seek higher participations, fees could be much more than that. And at current rates, annual interest on the $13.6bn will be around $1.7bn, bringing the first year's bill for fees and interest to around $2bn.

The loan consists of a $13.6bn six-month tender facility, which converts into a $13.75bn merger facility with four separate components. The facility carries front end fees ranging from 3.25 per cent for a $1bn participation down to 1.5 per cent for a $100m participation. Margins are two points over the US prime rate or three points over London interbank offered rates (Libor).

The merger facility's largest portion is a $6bn bridge loan with a 12- to 18-month maturity. Its margin is 2½ points over Libor, while the $1.5bn refinancing bridge loan's margin is 3½ points over Libor. There is a $5.25bn term loan with principal repayments made in increasing amounts after the third year and final repayment at the end of six years. Margins on this segment are 2½ points over Libor. There is also a $1bn three-year working capital loan paying 2½ points over Libor.

Meanwhile, Norwegian government moves to ease the way for foreign currency borrowings by corporations have enabled Norway's largest investment company, A/S Investa, to raise its first Eurocredit. Manufacturers Hanover and Christiania Bank have been mandated to arrange a $100m five-year revolving credit facility with a margin of ⅜ over Libor.

The woes of Norway's banking system have been forcing its larger, better-known corporations to search for funds outside the country in increasing numbers since last year. However, a loan to one of Norway's most frequent Euromarket borrowers, Storebrand Finans, has somewhat mysteriously been pulled in late December by its arranger, Merrill Lynch. The loan, a $100m five-year revolving credit facility, was launched, somewhat unusually, while a $60m three-year facility with marginally less attractive terms was still in syndication by its arranger, First Chicago.

Merrill, pressed for an explanation, would say only that it had "postponed" its offering in November.

Norma Cohen

EUROMARKET TURNOVER ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,626.2	0.0	262.7	11,421.5
Prev	26.7	0.0	0.0	4,021.6
Other	3,218.0	290.8	106.8	2,833.5
Prev	949.8	0.0	86.5	1,506.3
Secondary Market				
US$	5,859.7	749.0	5,655.1	5,536.6
Prev	3,140.6	557.0	1,169.2	3,219.6
Other	11,045.6	880.6	3,532.8	13,412.4
Prev	4,719.7	413.5	1,454.0	6,779.4

	Cedel	Euroclear	Total
US$	8,512.2	20,997.6	29,509.8
Prev	4,874.9	7,863.8	12,738.7
Other	14,745.8	20,913.1	35,658.9
Prev	7,574.9	8,334.3	15,909.2

Week to January 12, 1989 Source: AIBD

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Analysts and the Walters factor

THE FORTHCOMING return of Sir Alan Walters on the economic policy-making scene has begun to exercise the minds of some in the gilts market. A return to monetary targeting and a period of prolonged disinflation are how two analysts see the consequences of his reappearance.

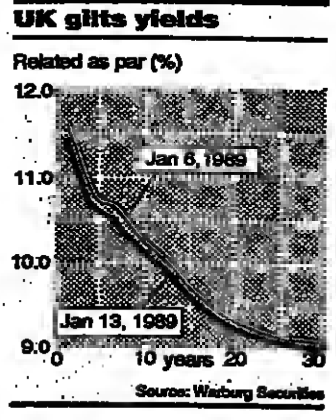
Mr Giles Keating, of Credit Suisse First Boston, is the proponent of the disinflation view and Mr Stephen Lewis of the monetary targeting view. Sir Alan is expected to return to his duties at No 10 around June this year.

The essence of Mr Keating's view is that the Government is serious about reducing the inflation rate, and not just to the usual 4 per cent or so that the Chancellor has been prepared to tolerate as long as he got 3 per cent real growth a year.

The instrument to achieve this is the exchange rate and the principal sufferers are British business. Mr Keating notes that non-oil profits have added 2.5 per cent annually to the inflation rate since 1986; unlike 1980 when profits were squeezed, profits in 1988 were at their highest for 20 years.

Mrs Thatcher's comments during Prime Minister's questions on Thursday are also instructive in relation to the exchange rate.

The main priority of policy, she said, was to get inflation down: "One cannot have two priorities and [inflation] is — and will remain — [the Chancellor's] main priority."



Mr Keating says interest rates will therefore stay much higher for much longer than most expect and not start edging down much in the face of evidence of a slowdown in the economy.

Mr Lewis suggests that the return of Sir Alan may mean a return to monetary targeting. The question of which "M" to target is perennial and Mr Lewis opts for M2 (notes, coins, current accounts and small savings balances with banks and building societies), the best behaved monetary aggregate of the decade.

The average annual fall in the velocity of circulation of M2 over the 1982-87 period was 3 per cent. Mr Lewis claims it has been the most reliable indicator of transactional demand for money in the UK.

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The Bank of England's reverse gilts auction for £500m of short-dated stocks went exceptionally well last Friday, exceeding the expectations of the professionals and, one suspects, the Bank and Treasury as well. It was the first and last for this financial year but it is as near to certain as anything can be that there will be more to come in the 1989-90 financial year.

The Treasury is fond of the reverse auction system. It likes the transparency the process lends to the Bank's buying-in activities. From that point of view the auctions have a measure of support from the market, some sections of which now recognise that they rather over-did their attempts to off-load stock to the Bank under the guise of client business during the latter part of last year.

As well as more auctions, the authorities are likely to test investor interest further down the yield curve. The public sector debt repayment in the coming financial year is more than likely to exceed scheduled redemptions, while the effects of currency market intervention may be less helpful to the authorities than they have so far proved to be.

It is likely that the Chancellor will declare a surplus in his forthcoming Budget of at least £13bn and natural redemptions can be no higher than £11bn, so there is scope for a limited use of auctions in the months ahead.

However, there is a problem with moving further along the yield curve. As Mr John Shepperd of Warburgs points out, reverse auctions are likely to be most successful if they are targeted at large issues of stock. However, it is the large issues that the market trades, so reverse auctioning them may only compound the illiquidity at a time when the market is struggling to remain liquid.

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The first two weeks of the new trading year have been some of the quietest since Big Bang. A look at the turnover figures for the Liffe long gilt futures contract by Glenn Davies of CL-Alexanders Laing & Cruickshank, shows that turnover in the first two weeks of 1989 was half that of 1988 and 1987.

Over the past two weeks the long gilt contract averaged a daily turnover of around 12,375 contracts a day. The figures for the equivalent periods of 1987 and 1988 were 24,520 and 24,100 contracts a day respectively. The trend is the trader's friend, and the trader must be feeling a little lonely at present.

Simon Holberton

US MONEY AND CREDIT

Strong dollar precipitates rally

A STRONG dollar, some suspiciously weak economic figures and brisk retail demand at the Treasury's auction triggered a modest rally in US bond prices late last week. Whether it can continue this week depends on how the dollar reacts to US trade figures, which are likely to be poor, and to the somewhat mixed signals from foreign governments about the currency.

The Treasury's benchmark 30-year bond rose better than a point, though the real action was in short-term securities auctioned during the week. Small investors formed their longest queues for a long time as they signed up for the paper at banks and Federal Reserve offices around the country.

The stampede was readily attributed to the favourable yields. The seven-year bond, for example, sold for an average yield of 9.30, which was the best of any Treasury security regardless of the maturity. One measure of the appetite of these small investors was that their volume of non-competing bids — they buy at the prevailing yield determined by the competing bids from big investment dealers — was three times the normal level.

Foreigners, particularly the Japanese, were equally enthusiastic. Their recent purchases of dollar-denominated securities has been contributing to the dollar's new year rally. Last week the greenback shrugged off the widest ranging intervention central banks have undertaken since last summer. At least nine of them, including the Federal Reserve, sold dollars during the week.

Opinions vary about where the currency goes from here. Some think it will at least hold on to recent gains because of relatively high US interest rates. However, others are highly cautious. "The dollar's latest rebound is suspect," said Mr Edward Treichel, investment strategist at Van Kampen Merritt in Chicago.

He thinks some of last week's strength came from the US-Libya confrontation. Moreover, last week's intervention at a dollar exchange rate well below last summer's high is a signal that the Group of Seven countries "desire to limit the dollar's upside potential."

The Group of Seven are almost certain to meet in Washington within a week or so of Mr George Bush taking the presidential oath on Friday. The foreign exchange markets would appreciate some clarification of certain governments' positions on the dollar, most notably Bonn's.

On the one hand, Mr Gerhard Stoltenberg, the West German Finance Minister, said in Washington last week that the current level of the dollar was fine. On the other hand, various officials from the Bundesbank said otherwise.

"The currency markets were roiled in recent days with conflicting statements on West German currency preferences," said Mr Philip Braverman, chief economist of Irving Securities.

Investors would need a lobotomy to forget the havoc that foreign exchange rates can play on their foreign investments. A timely reminder, none the less, comes from Salomon Brothers with its figures for the 1988 total return in dollars from investing in various countries' bonds. The best three performances were Australia, up 28.8 per cent; Canada, up 19.4 per cent; and the US up 7 per cent. The worst were Switzerland, minus 12.7 per cent; West Germany, minus 7.1 per cent; and the Netherlands, minus 6.5 per cent.

Thus, sensitive to currencies, investors will be watching very carefully two big dark clouds boiling up on the dollar's horizon: White House-Congress negotiations over the federal budget deficit and, more immediately, November's trade figure due for release on Wednesday. It will show an increase in the deficit from October's $10.3bn to between $11bn and $12bn.

"This uptick is more than just a monthly aberration," said Mr Joseph Plocek, economist at McCarthy, Crisanti and Maffei. "The risk is that the monthly trade deficit could soon return to the $12bn-14bn range."

A number of factors are at work: the export stimulus from the 1985-87 dollar devaluation is wearing off, export prices are rising, foreign growth and thus demand is slowing, US growth and thus demand for imports is still strong and oil import prices are rising.

The result is a tricky policy bind for the Fed. It wants high interest rates to cool the economy but, in turn, those are helping to support the dollar and thus weaken US trade performance.

At least for now the dollar's strength is a powerful reason for the Fed not to tighten monetary policy further. Confirmation of the latest snugging came on Thursday with the start of a new banking reserves statement period. The Fed's target level for Fed Funds, the rate at which banks lend reserves to each other, is now 9 to 9¼ per cent, up from 8¼ to 8¾ per cent at the turn of the year.

The inflation hawks in the Fed — more the presidents of the Federal Reserve banks rather than the board's governors — will not appreciate the dollar's reduction in their room for manoeuvre.

The markets liked the latest economic data because it looked weak. Fed officials are probably not as relaxed, realising that the numbers were rather dubious. Almost certainly they will be revised up next month to show that the economy is still pretty strong.

The most curious figure was December's 0.2 per cent rise in retail sales. This cannot be right because department stores reported double-digit growth in Christmas sales and car makers had their best month of the year.

The first retail sales estimate is always a bit suspect because it is based on a survey of only 2,500 to 3,000 companies. A big revision will come next month after the second survey polls some 12,000 companies.

Similarly, producer prices rose only 0.4 per cent in December. However, excluding the car prices and the volatile food and energy components it rose 0.9 per cent. Moreover, prices of crude and intermediate goods also showed sharp rises.

"Prices remain a problem of substance currently and for the future," argues Griggs and Santow, money market economist. "The market, however, seems not to appreciate the risk."

The chance for investors and traders to respond to these and other economic figures and the dollar is somewhat curtailed this week. The markets are closed today for the holiday honouring Martin Luther King and business could be pretty slack on Friday as people tune in to the Bush inauguration.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.08	9.00	8.87	9.20	6.27
Three-month Treasury bills	8.48	8.20	8.45	8.52	6.21
Six-month Treasury bills	8.78	8.48	8.67	8.87	5.73
Three-month prime CDs	9.25	9.25	9.35	9.35	6.77
30-day Commercial Paper	9.00	9.04	9.45	9.45	6.65
90-day Commercial Paper	8.05	8.95	9.18	9.18	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99⅛	+1⅛	9.10	9.29	9.19
20-year Treasury	103⅜	+1⅜	8.97	9.14	9.12
30-year Treasury	101⅞	+1⅛	8.88	9.03	9.05

Source: Salomon Bros (estimates).

Money supply: In the week ended September 7 M1 rose $8.7bn to $793.1bn.

NRI TOKYO BOND INDEX

December 1983 = 100	12/1/89	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	148.69	4.51	148.49	146.08	143.00
Government Bonds	149.82	4.37	149.60	147.17	142.74
Municipal Bonds	150.72	4.81	150.35	147.40	145.27
Govt.-guaranteed Bonds	151.69	4.86	151.35	148.61	146.89
Bank Debentures	141.43	4.49	141.47	139.45	137.62
Corporate Bonds	148.22	5.37	147.90	145.71	143.90
Yen-denom. Foreign Bonds	151.74	6.16	151.55	149.01	145.94
Government 10-year†	4.81	-	4.83	4.97	5.31

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¾ 93	20.08N	104¼	-⅛	3.33
AVON CAPITAL 6¼ 91	25.06N	101¼	-⅛	6.21
BARCLAYS 0.5 INV 6 96	40.08N	105¼	+⅛	5.07
B.F.C.E. 5¼ 96	20.08N	103⅛	+⅛	5.14
CANADIAN PACIFIC 6¼ 96	10.08N	107⅛	-⅛	5.46
DENMARK 6¼ 92	20.99N	105⅛	0	4.76
EIB 4⅛ 92	30.08N	99¼	+⅛	4.81
EIB 4¾ 94	40.08N	99	+⅛	4.84
EUROFIMA 6¼ 95	15.08N	105⅛	+⅛	5.52
F.N.M.A. 6¾ 92	50.08N	105¾	+⅛	4.78
GMAC 6¼ 90	25.08N	101⅛	0	4.41
IBM CREDIT CORP 5¼ 91	18.08N	102¼	+⅛	4.63
ITT 6¼ 92	20.08N	104	+⅛	5.29
MCDONALDS CORP 6¼ 92	25.08N	104¼	+⅛	4.94
NEW ZEALAND 7¼ 90	15.08N	106¼	0	3.41
NEW ZEALAND 7¼ 89	15.08N	101¼	+⅛	4.76
NORWAY 5¼ 95	50.08N	102	+⅛	4.93
PENNEY J.C. 6¼ 92	26.08N	105⅛	+⅛	5.45
PHILIP MORRIS 6¼ 91	20.08N	102⅛	0	5.38
SALLIE MAE 6¼ 92	25.08N	105¼	+⅛	4.74
TRW INC 7 94	15.08N	102¼	0	6.55
WORLD BANK 7¼ 91	20.08N	111¼	-⅛	4.87
WORLD BANK 8 93	20.08N	111¼	-⅛	4.78

LUXFR STRAIGHTS	Issued	Bid price	Chg on week	Yield
COPENHAGEN TEL 8¼ 89	300	99¼	+⅛	9.34
COUNCIL EUROPE 7 94	600	99¼	0	7.18
GALVALANGE 7 95	600	97¾	0	7.45
KLEINWORT BENSON 7 94	600	98¼	+⅛	7.41
WORLD BANK 8 96	1.08N	103	+⅛	7.44

GUILDER STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.B.N. 5¾ 91	100	98¼	-⅛	6.26
A B N 7¼ 89	150	102	-⅛	6.38
AMRO BANK 7¾ 89	150	100¼	-⅛	6.32
AMRO BANK 8 89	200	100	-⅛	7.74
BEATRICE FOODS 8¼ 89	100	100¼	+⅛	7.06
DENMARK 8½ 91	100	104¼	-⅛	6.46
INT.STAND.ELEC 8½ 89	100	100	-⅛	8.18
OSTER KONTROLLBANK 7 90	100	101	-⅛	6.26
RABOBANK 8 89	150	100¼	-⅛	6.78
WORLD BANK 6¼ 91	100	100¼	-⅛	6.11

CANADIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.I.D.C. 10 91	100	97¾	0	11.09
AUST. RESOURCES 11¼ 92	50	99⅝	+⅛	11.75
BK MONTREAL REALTY 9½ 96	100	94¼	+⅛	10.63
BANQUE INDOSUEZ 14 91	75	104½	0	11.76
BR.COL.PROV 12¼ 91	100	101¼	-⅛	11.58
BR.COL.PROV 13½ 91	100	105¼	-⅛	11.71
DENMARK 11¼ 91	100	100	-⅛	11.64
FARM CRED CORP 12¼ 90	75	100¼	-⅛	11.65
KELLOGG SALADA CANADA 9 92	50	96	0	10.42
LAVAL CITY 10¾ 96	40	96¼	-⅛	11.52
MONTREAL TRUSTCO 8¾ 92	100	93¼	+⅛	10.86
NEW BRUNSWICK 12 95	75	103¾	+⅛	11.09
NOVA SCOTIA 11¼ 95	100	102¼	+⅛	11.01
ROYAL TRUSTCO 10¾ 90	75	98¼	-⅛	11.47

ECU STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALL NIPPON AIRWAYS 9 95	130	101¼	-⅛	8.64
ANZ BANKING 10¾ 92	50	104¼	-⅛	8.51
AUSTRIA 7¼ 93	125	98¼	-⅛	7.80
B.F.C.E. 8¾ 93	150	100¾	+⅛	8.50
B.F.C.E. 9¾ 92	100	103¼	0	8.30
B.N.P. 8¾ 95	75	102¼	+⅛	8.43
CAISSE NAT TELECOMM 9¾ 92	75	104	0	8.50
CHRYSLER FIN 9 92	75	99¾	-⅛	9.04
C.N.A. 7¾ 95	120	96¼	-⅛	8.11
CREDIT FONCIER 7¼ 94	530	98	-⅛	8.09
CREDIT LYONNAIS 6¾ 92	175	95¼	-⅛	7.93
CREDITANSTALT 8¾ 94	67	101¼	-⅛	8.52
DENMARK 7¾ 96	200	96¼	0	8.20
E.E.C. 11¼ 97	50	105¼	-⅛	8.49
EIB 7¼ 96	150	96¼	-⅛	8.20
EIB 10¼ 94	130	105¼	-⅛	8.57
ELEC DE FRANCE 7¼ 90	100	94¼	-1¼	7.97
EURATOM 7¾ 96	100	95¼	0	8.24
EUROFIMA 7¼ 95	145	99	-⅛	7.84
FINNISH EXPORT 7¾ 92	100	98	0	8.11
GILLETTE CO 7¼ 93	55	95¼	-⅛	8.79
IBM WORLD TRADE 8¼ 90	150	100⅛	-⅛	7.79
IND BK JAPAN FIN 8¼ 93	100	99¼	-⅛	8.53
INTER AMER DEV 10 93	100	105¼	-⅛	8.50
ITALY 9¼ 89	200	100	0	9.07
MOET-HENNESSY 9 91	50	100¼	-⅛	8.56
MORGAN GTY TST 8½ 90	100	100¼	-⅛	8.33
NEW ZEALAND 9¾ 92	100	102¼	0	8.64
PARIBEL FINANCE 8¾ 89	50	99¼	0	8.64
REYNOLDS R.J. 8¾ 91	125	96¼	-⅛	10.25
SEC.PACIFIC AUST 8¾ 90	100	100¼	-⅛	8.55
SUMITOMO FIN 9 93	75	101¼	-⅛	8.56
VICTORIAN PUB AUTH 8¾ 90	75	100¼	-⅛	8.53
WORLD BANK 7½ 94	250	98	-⅛	7.95

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
BMW FINANCE 14½ 92	100	99¾	-1¼	14.98
DEUTSCHE BK FIN 12½ 92	75	97¼	-⅛	13.99
GMAC AUSTRALIA 14¾ 92	60	99¼	-1¼	14.51
WESTPAC BANKING 12½ 90	50	94¼	-⅛	16.52

STERLING STRAIGHTS	Issued	Bid price	Chg on week	Yield
BARCLAYS JERSEY 9½ 93	250	94	0	11.31
BRITISH OXYGEN 11¼ 92	50	98¼	0	12.53
DENMARK 10¾ 89	75	99	0	15.22
E.E.C. 11¼ 94	50	99¾	-⅛	11.59
EMHART CORP 11 92	35	96¼	-⅛	12.31
HALIFAX B.S. 9¾ 93	100	93¼	0	11.34
INT.STAND.ELEC 11¼ 89	50	99¼	0	70.75
INTER AMER DEV 11¾ 95	75	100¼	+⅛	11.16
IRELAND 11¼ 94	50	99¼	0	11.50
KREDIETBK INTL 10¾ 92	50	96¼	+⅛	11.93
LAND SECS 9½ 07	200	86¼	+1¼	11.22
LEEDS PERMANENT 9¾ 93	50	92¼	-⅛	11.61
MITSUBISHI FIN.H.K. 11 90	50	98¼	+⅛	11.99
SAINSBURY 10¾ 93	60	97¾	0	11.56
WORLD BANK 10¼ 89	100	99	+⅛	14.56
WORLD BANK 11¼ 95	100	100¾	+⅛	11.03

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
CASIO COMPUTER	06/03/89	46½	+1¼	-0.67
DOWA MINING	20/07/90	33½	+4¾	6.15
FUJITA CORPN	09/09/91	38¼	-2¾	4.04
FUJITSU	31/01/91	65¼	+7¼	2.55
GUNZE	07/05/92	30¾	+3¼	11.71
KIRIN BREWERY	25/07/92	15½	+1½	23.28
MINEBEA CO.	22/05/91	89	+5	-3.83
NIPPON MEAT PACKERS	17/09/92	17¼	+⅛	27.42
SEKISUI HOUSE	28/10/91	49½	-1	-0.10
SONDIKE MFG.	12/09/91	49¾	+8¼	0.64
SONY CORP	26/04/90	133	+4¼	-0.43
TOYOTA MOTOR	15/07/92	43½	+2¼	-26.97
UNY	17/06/91	40½	+4¼	3.28

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
AMERICAN BANKERS 5¼ 03	70	87¼	+¼	39.64
ARGYLL GROUP 4¼ 02	60	94¼	+1½	64.38
BOND FINANCE 6 98 £	125	103¾	+3½	-3.87
CANON 3 00	100	231½	+2½	0.48
EASTMAN KODAK 6¼ 01	300	101¼	-½	15.25
ELDERS UK 5 97	75	121	+4¼	-10.41
FUJITSU 3 99	180	231	+4¾	-1.30
GRACE (WR) 6¼ 02	150	83¼	+1¼	27.90
GRAND MET 6¼ 02	200	89¾	+¼	23.63
INTL PAPER 5¼ 02	200	86½	+¾	21.76
LTCB 2¾ 02	200	127¼	+5½	4.41
MCA 5¼ 02	500	84¼	+¼	21.62
MITSUBISHI BK 1¾ 02	300	140	+3¼	-2.37
NEWMONT MINING 7 01	100	109¼	+1¾	8.31
NIPPON ELECTRIC 2¾ 00	150	303	+2	-0.09
NISHI NIPPON 2¾ 03	70	131	+5¾	3.32
PIONEER CONCRETE 9¼ 98 A$	175	80¼	+1¼	20.26
ROCKEFELLER CENTER 0 00	852	31¾	-¼	-44.02
SANWA BANK 1¾ 02	300	118¼	+3¾	-2.99
SOUTHWEST AIRLINES 4¼ 98	35	81¼	+¼	44.52
TEXACO CAPITAL 11¾ 94	500	100½	+¼	1.91

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AEGON 9 92	24/09/92	7	0	8.72
AVON CAPITAL 9 93	09/04/89	0½	0	8.97
CHRYSLER FIN 10¾ 94	02/03/94	31	0	9.57
DEN NORSKE CREDIT 8 94	02/03/90	1	0	7.97
DEN NORSKE CREDIT 8¾ 96	08/08/89	0½	0	8.29
DENMARK 12¾ 92	31/01/90	55	0	10.52
GEN ELEC CRED 9½ 92 B	17/12/92	9	0	9.22
GMAC 8¼ 95 B	11/02/91	12	0	0.48
MIDLAND INT FIN 8¾ 97	15/04/92			
NORDIC INV BANK 7¾ 96	30/10/91	2½	0	7.82
NORDIC INV BANK 8¼ 96	27/03/91	3	0	8.30
ROYAL BK CANADA	28/01/90	50	0	10.49
SBC FINANCE 10¾ 90	11/01/90	1½	-⅛	10.08

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JANUARY 13

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Cerus lifts cash part of Dumenil takeover bid

By George Graham in Paris

CERUS, THE French holding company owned by Mr Carlo de Benedetti, the Italian financier, has published the terms of its bid for full control of Dumenil Leble, the financial group headed by Mr Jacques Letertre.

The bid proposes five Cerus shares plus FFr40 cash for every two Dumenil shares. Mr Letertre said the additional FFr40 cash element was a last-minute adjustment, designed partly to take into account the fact that Dumenil shareholders would receive no dividend for the 1988 year.

Cerus's shares were suspended at FFr456 on Tuesday. At this price, the bid would value Dumenil at FFr4.65bn ($745m), a discount of 1.3 per cent to its Tuesday suspension price of FFr1175.

Mr Letertre said the merger offered the prospect of developing a stronger and more profitable financial holding company.

"The priority of priorities is that we should make profits and pay dividends," he said yesterday.

Oce-Van Der Grinten expects 7% sales rise

By David Brown in Amsterdam

OCE-VAN Der Grinten, the Dutch photocopier manufacturer, said yesterday that earnings for 1988 would be roughly in line with the Fl 75m ($20.4m) of 1987. In a preliminary statement, Mr Henk Bodt, group chairman, said sales had advanced by 7 per cent in volume.

Analysts said the improvement, especially marked in the last quarter when the group had net earnings of roughly Fl 20m, was the result of improving business mix, particularly in its profitable design engineering market, and also the strengthening dollar.

OCE makes and sells copiers for the design engineering and conventional business markets.

Crusader Life plans to link with UK partners

By Jim Jones in Johannesburg and Nick Bunker in London

CRUSADER LIFE, the small South African life assurer, has agreed with un-named British partners to establish a life office in London.

The plans were first laid in 1987 and R12m ($3.05m) was raised from shareholders to finance the UK venture and local operations. The move abroad was delayed, according to Mr Don Rowand, chairman, by regulations on brokers' commissions in the UK's new Financial Services Act.

Mr Rowand says Crusader originated dread disease policies and wants to market them in Britain. The UK venture includes development of a life assurance company, a life broking and financial planning company with a sales force of more than 20 consultants, a specialist life assurance computer company and four estate agencies.

At the end of 1988 Crusader had total assets of about R80m and annual premium income of R52m. The company has an interest in a London insurance broker and says this is generating life assurance business.

● Mr Vince Isaacs, chairman and chief executive of General Portfolio Group, the UK life insurer, denied that his was the British company holding talks with South Africa's Southern Life, which announced last week that it was negotiating to take a stake in a UK company.

General Portfolio, a fast-growing unit-linked life insurer based in Harlow, Essex, with a 3,100-strong sales force, said last year that it planned to get a stock market listing in London within three years and industry observers had swiftly concluded that it could be the subject of Southern's advances.

Speculation in London has switched to two other UK life insurers, Barnet-based Liberty Life and London-based Devonshire Life, as possible alternative partners for Southern Life.

In Johannesburg, however, Mr Bill Haslam, an executive director of Southern Life, maintained the official line of making no comment on which UK life office was involved.

Australian Bank offer approved

By Bruce Jacques in Sydney

THE AUSTRALIAN Government has set a qualified, deregulation precedent for the banking industry by approving, in principle, the proposed A$103m (US$89.5m) bid by the MLC Life group for Australian Bank.

The approval, technically by Federal Treasury, overturns a long-standing tenet of Australian banking law and sanctions the takeover by a non-banking entity of an Australian trading bank, albeit one of the smallest.

The decision may preface a push by Australia's major life insurance groups to acquire trading banks in what could develop into the biggest financial rationalisation in Australia since 16 new banks, including foreigners, were allowed into the market in 1986.

The country's two biggest life groups, the AMP Society and the National Mutual, already operate banks in partnership with foreign groups, but have made little secret of their desire to expand further in this area.

The life offices have been prodding the Australian Government to loosen its bank ownership requirements for some time, especially since the banks have recently moved into the life assurance business.

The Treasury precedent may also eventually open the way for Australian companies to buy banks, a prospect that would delight Mr John Elliott, whose Elders IXL group has been seeking a banking licence for years.

Mr Max Crow, MLC managing director, announced the Treasury approval yesterday and also reduced the minimum acceptance condition in the bid from 90 per cent to 80 per cent. This was to accommodate a rival bidder, the State Savings Bank of Victoria, which already holds 17 per cent of Australian Bank's capital. MLC was a founding shareholder in Australian Bank and controls 25 per cent of its capital.

The MLC bid is pitched at A$1.85 a share, against the State Bank's A$1.65. If successful, the MLC plans to distribute all but 10 per cent of Australian Bank shares to its policy holders in the form of a bonus.

Mr Crow said this meant Australian Bank would ultimately have more than 250,000 shareholders, one of the broadest shareholder bases of any bank, or company, in Australia.

Morgan Grenfell equity team recruited

By David Lascelles

THE 11-strong European equity market-making team that was among those made redundant by Morgan Grenfell last month is to join CL-Alexanders Laing & Cruickshank, the investment bank owned by Crédit Lyonnais of France.

The team is headed by Mr Eric Brigden, Mr Chris Hipkins, Mr Andrew Sharp and Mr Chris Perree. Between them they cover five markets – the Netherlands, Scandinavia, France, Germany and Switzerland. Crédit Lyonnais is claiming the arrival of the team will make it one of the City's most active market-makers in European stocks.

Mr Ian Hay Davison, chairman of CL-Alexanders Laing & Cruickshank Holdings, said the move demonstrated Crédit Lyonnais' commitment to develop as a major force in European equities.

Spanish charity in deal with Grucycsa

By Peter Bruce in Madrid

ONCE, the multi-million peseta Spanish charity for the blind, which also runs one of Europe's biggest lotteries, has moved into the Spanish stock market.

It has taken a 2 per cent stake in each of the three biggest quoted companies controlled by Grupo Construcciones y Contratas (Grucycsa), the rapidly-growing holding company controlled by two cousins known as "los Albertos." The companies are Portland Valderrivas, the cement group, Fomento de Obras y Construcciones, construction company, and Banco Zaragozano.

The Albertos have also agreed to form a pension fund management group with ONCE.

ONCE's Pta210bn ($1.83bn) turnover last year theoretically makes it one of the 11 largest companies in Spain, though much of its income is paid out quickly as lottery winnings. The management of ONCE has been looking to diversify since the Spanish Government began putting a ceiling on its lotteries earnings.

The charity paid some Pta4bn for its investments and it is possible that it will continue to act in the Spanish stock market.

The fresh capital will be welcome at Grucycsa, where financial resources are being stretched. Together with the controversial Kuwaiti Investment Office (KIO), Grucycsa is the largest shareholder in Banco Central, which is merging with Banco Espanol de Credito to become the country's biggest bank.

Turkish bank head

THE TURKISH Government has appointed Mr Engin Civan general manager of Emlak Benkasi, the state-owned bank.

Mr Civan replaces Mr Bulent Semiler, who resigned in late December following a row with Mr Kaya Erdem, former deputy premier, over an embezzlement scandal.

US utility offered $2bn for non-nuclear assets

By Roderick Oram in New York

PUBLIC SERVICE of New Hampshire, the first US power utility to operate under bankruptcy law since the Depression, has received a takeover offer for its non-nuclear assets that may be worth up to $2bn.

Northeast Utilities, the bidder, said its plan would result in increases in electricity costs of about 5 per cent for the next eight years for PSNH's customers and would allow New Hampshire state officials to keep regulatory control.

PSNH, forced to seek bankruptcy court protection a year ago because of the financial burden of its investment in the Seabrook nuclear power plant, had earlier proposed to reorganise itself under a federally-controlled holding company. The idea was to remove itself from the control of New Hampshire, which has opposed start-up of Seabrook. It also wants to increase its rates by 30 per cent in one go.

Northeast, the largest utility in New England, offered instead to pay $1.2bn for PSNH's non-nuclear assets and spin off its 35.6 per cent stake in Seabrook into a separate company to be owned by PSNH's existing shareholders and creditors.

Secured creditors would receive 100 cents on the dollar while unsecured creditors would get a package worth between 35 and 75 cents on the dollar consisting of cash, preferred stock in a Northeast subsidiary and common stock in the new Seabrook company. Current PSNH shareholders would have to negotiate for some of the stock unsecured creditors would receive.

Northeast would also give the new Seabrook company some $165m towards upkeep of the plant and would agree to buy power from it. Hopes of the plant starting up have risen sharply in recent weeks following a series of actions by Federal nuclear regulators.

London eases Euro-listing rules

By Stephen Fidler, Euromarkets Correspondent

THE INTERNATIONAL Stock Exchange in London has eased its Eurobond listing requirements and reduced its charges in an apparent attempt to take business from the Luxembourg Stock Exchange.

Luxembourg's easier and cheaper listing requirements have long prompted issuers of many Eurosecurities to list bonds there. Now London's fees are said by officials to be comparable with that exchange.

Maximum listing charges have been reduced to £4,000 from £10,000 in the case of already-listed applicants and from £13,500 for new applicants. The 6p per £1,000 charge will be uniform for all issuers. New applicants used to pay 8p per £1,000.

The requirement to offer an unspecified participation to two market-makers on the exchange has also been lifted. This requirement was an annoyance to Eurobond underwriters, who accused the market-makers – or their stockbroker predecessors – of accepting participations only when issues were clearly trading profitably and making no effort to place them.

Issuers will also be allowed to produce listing particulars in the printed form they choose and they will no longer be required to circulate details of the issue in the Extel Financial statistical service.

● Firm prices on four Finnish stocks – Pohjola B, Nokia Preference, KOP and Union Bank of Finland – will be quoted from today on SEAQ International, which also launches today a section on Italian stocks. Six traders will make markets in all four stocks.

Hyundai in Canada move

By Robert Gibbens in Montreal

HYUNDAI of Korea has started commercial production of its Sonata mid-size sedan at its new C$325m (US$271m) assembly plant at Bromont, near Montreal, despite widespread industry scepticism. It says some of this year's production of 25,000-30,000 cars could go to Europe.

Bromont is Hyundai's first foreign assembly plant and is among the most automated in the world.

The new contemporary front-wheel-drive Sonata, with a 2.4-litre engine and fuel injection, is designed to provide a desperately-needed turnround for Hyundai in the Canadian market. Sales of the imported Excel model dropped 40 per cent last year because of buyer resistance, though the same model has been doing well in the US. Two previous models on which Hyundai based its entry into Canada in 1984 were withdrawn in 1987.

Hyundai is building the Sonata at Bromont with parts mainly imported from Korea. Thus, production does not qualify for duty remissions under the Canada-US trade pact. Gradually, Hyundai will seek North American suppliers in order to qualify.

KKR 'may sell' Del Monte unit

RJR NABISCO'S Del Monte Foods unit will probably be sold to help pay for the $25bn leveraged buy-out of RJR Nabisco by Kohlberg Kravis Roberts, according to Mr Robert Carbonell, Del Monte chairman, Reuter reports.

The Miami Herald quoted Mr Carbonell as saying he believed it was likely Del Monte would be divested after KKR completed the biggest takeover in US corporate history next month.

However, Carbonell emphasised that this was his personal opinion and not that of RJR Nabisco, the US food and cigarette conglomerate.

UK COMPANY NEWS

1992 will come as a major bonus

Vanessa Houlder on the growth of UK fresh produce distributors

THE NOTION of a UK company delivering flowers in The Netherlands might seem as inappropriate as one distributing pasta in Italy or brandy in France.

Yet when Unigate bought Spronsen, a Dutch flowers, fruit and vegetable distributor earlier this month, it was following a well trodden path. In the past 18 months, Albert Fisher Group, Polly Peck International and Hillsdown Holdings have spent more than £100m between them on 11 fresh produce distributors in Continental Europe.

In the run-up to 1992, this is perhaps not surprising. If there was a list of clear beneficiaries of the erosion of trade barriers, the distribution trade might be near the top.

"The freeing of trade barriers will bring exciting prospects in the European distribution market," predicts Mr John Worby, finance director of Unigate. As retailers increasingly source from other markets, there will ba heightened demand for distributors which can traverse national boundaries, he says.

Mr Worby believes that UK companies have a distinct advantage in the European market place. "UK distribution expertise is more advanced than the rest of the Continent," he says.

As a result of more exacting demands by UK retailers and a greater emphasis on temperature controlled distribution, UK operators are geared up to delivering unblemished goods in short spaces of time, ha says.

Another key advantage of moving into mainland Europe is that the market, worth an estimated £20bn, is highly fragmented.



Tony Millar (left), chairman of Albert Fisher, and Tony Reading, managing director of Polly Peck.

This is illustrated by the finding that after just five acquisitions Albert Fisher is already the largest fruit handler in The Netherlands, occupying a third of the Rotterdam fruit pier.

A further attraction of the continental market is that it is free from domination by a small number of large retailers. In the UK, by contrast, this situation is perceived to restrict the opportunities for profitable growth for distributors.

"There is enormous pressure by the multiples on margins in fresh produce in the UK," says Mr Tony Millar, chairman of Albert Fisher.

Accordingly, in some cases, the UK expansion on the Continent might have taken place without the added impetus of the freeing of trade barriers. "1992 is a major bonus for our European expansion, not the primary reason," says Mr Millar.

Likewise for Polly Peck, expansion on the Continent was on the cards, regardless of the erosion of the trade barriers. "We wanted more control over our marketing in the EEC, as part of our general strategy of vertical integration," says Mr Tony Reading, managing director.

There are other reasons why the influence of 1992 should not be overplayed. Already, distributors travel long distances and cross national boundaries. Hillsdown Holding's Habets, for example, already operates throughout West Germany and France.

"For fruit distribution 1992 will not be as dramatic as with some industries, as it is already a long way down the road," claims Mr Harry Solomon, chairman of Hillsdown.

In part, this stems from the universal taste for fruit and vegetables, which means that, unlike processed food, it should not benefit from the increasingly multi-national operations of the manufacturers.

(That said, some variations do exist. In The Netherlands, for example, a third of households squeeze their own orange juice, thereby demanding a different quality of fruit.)

But even if the markets for fresh produce across Europe are substantially the same, there are considerable differences in the the nature of the distribution trade between the countries.

Accordingly, it is no coincidence that UK companies have shown a clear preference for buying companies based in The Netherlands.

Albert Fisher has made five acquisitions in The Netherlands (Reingold, Citronas, Aartsen, Pakomi and Limax); Polly Peck has made one (Van Den Brink); and Hillsdown Holdings has made two (Habets and B&F).

The chief explanation is that The Netherlands, which has close trading links with other countries in West and East Europe, is at the hub of fruit and vegetable distribution over the Continent.

In 1986, one-third of all produce imported into The Netherlands, primarily through the port of Rotterdam, was re-exported.

Furthermore, the risks for the distributor are often minimised as a result of the Dutch trading system, whereby he agrees a commission regardless of the selling prices.

In addition, The Netherlands has other key advantages. "The Dutch speak good English and have traditionally been good trading partners," says Mr Solomon. "Holland's business style is close to that of the UK," agrees Mr Millar. "If you are going into Europe, Holland is the place to start."

L & G new business expands by 64%

By Nick Bunker

THE slackening house purchase market failed to slow down growth in life assurance at Legal & General, the insurance group, which boosted total UK mortgage-related new business 64 per cent to £98m last year.

The group received 42 per cent of its business last year from independent intermediaries.

It has signed up 18 building societies, with 400 branches, 350 estate agents, and 1,100 small insurance intermediary firms, to sell L&G life products exclusively. Its direct sales force totals 2,500.

Individual single-premium pensions new business was up 32 per cent at £76m.

Individual life assurance single premiums dropped 49.4 per cent to £59m, showing how the 1987 equity market crash has hit sales of lump-sum equity investments.

UK new annual premiums advanced 81 per cent to £180m, including the mortgage-related business increase. New annual premiums for individual pensions business jumped from £30m to £70m.

At Prudential Corporation, the UK's largest life assurance group, worldwide new annual premiums were up 33 per cent at £502.4m. New single premiums rose 32 per cent to £1.69bn.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Apollo Metals (Section: Industrials).

Apollo Watch Products (Industrials).

Associated Farmers (Third Market).

Bletchley Motor Group (Motors-Garages).

Bostrom (Motors-Components).

Capital Leasing (Banks, HP).

Channel Express (Industrials).

Erskine House 7.25% Conv. Cum. Red. Pref. shares (Industrials).

Metro Radio (Leisure).

SHARE STAKES

Changes in company share stakes announced recently include:

Baggeridge Brick: Mr Alexander Ward, a director, has increased his beneficial interest to 2,441,038, which include 1.56m joint interests with other beneficiaries, with the addition of his director's qualification holding of 400 shares, bought on December 21.

Baillie Gifford Ship Nippon: LLoyds Bank (Nominees) raised its stake by 250,000 shares to 1m (8.24 per cent). The name of the registered holder has not been disclosed.

Baillie Gifford Technology: Clydesdale Investment Trust has raised its holding to 2.75m (24.9 per cent) with the purchase of 150,000 ordinary. The names of the registered holders have not been disclosed.

Beacon Group: Triton General Trust increased its holding to 1.22m shares (5.63 per cent) by acquiring 559,233 at 43p each. London Life raised its holding to 1.17m shares (5.4 per cent) by buying 960,324 shares at 43p.

Health Care Services: Lodge Care now holds 750,000 shares (5.45 per cent).

Rights and Issues Investment Trust: Orion Insurance bought 230,000 income shares (9.6 per cent).

UK COMPANY NEWS

Nabisco sell-off attracts interest from UK rivals

By Ray Bashford

THREE BRITISH food companies are expected to participate in an international auction for the purchase of RJR Nabisco's UK and continental European biscuit and snack foods businesses.

Associated British Foods, United Biscuits and Northern Foods have expressed interest in the purchase of Nabisco's European arm following the record $25bn takeover of the company by Kohlberg Kravis Roberts, the US leverage buy-out group.

Estimates by two of the possible UK bidders on the value of the European operations through an expected break-up range from between £800m to £1bn.

The more conservative of the estimates places a value of £500m on the UK business and £300m on the continental European side.

The auction is also generating interest among European food companies with BSN of France and Bahlsen of West Germany seen as the most likely bidders.

Sir Hector Laing, the chairman of United Biscuits, confirmed yesterday that he was interested in acquiring the continental European operations.

"Along with everyone else we would of course be interested in buying the business if the price was right," he said.

UB, with 50 per cent of the UK branded biscuit market, would encounter difficulties with the Monopolies and Mergers Commission if an attempt was made to acquire the UK business, and so is narrowing its interest to the continental European operations.

Sir Hector Laing: interested if the price is right

However, the purchase of the UK snacks business could still be possible.

Mr Martin Clark, finance director of Northern Foods, also expressed interest. "One has to look at things like this when they come along so we won't dismiss it out of hand," he said.

Associated British Foods is understood to have most interest in acquiring the UK business and combine it with the existing Ryvita crispbreads and Burtons brands.

A deal for the businesses is unlikely to go through until KKR moves closer to negotiating final financing for the Nabisco purchase.

Nabisco's major UK biscuit brand is Huntley & Palmer and the company is also understood to control about 40 per cent of the country's snack foods business which has been the more successful side of operations.

The continental European businesses have fallen short of expectations and the company has failed to establish firm footholds in the markets.

However, with a presence in the French, Dutch, Spanish, Italian and Danish markets the purchase would provide the potential for expansion.

There would appear to be little scope for an immediate injection of British brands into the market because of the peculiarities of the European taste and different marketing and packaging styles.

France has been Nabisco's most noteable area of success where it has been able to penetrate the snack foods business and would be the principal area of interest for bidders.

Northern Foods already sells its Fox's brand of biscuits into the European market through a distribution arrangement with General Mills.

Wardle pins its hopes on the institutions

Clare Pearson looks at the closing stages of the £83m bid for Armstrong Equipment

MR BRIAN TAYLOR, chief executive of Wardle Storeys, sounds convincing when saying that he does not care if his £83m hostile bid for industrial fasteners and motor components company Armstrong Equipment succeeds by the final close on Wednesday.

That, perhaps, is the problem with the offer - many observers believe Wardle, a plastic products and security equipment group which has achieved startling growth under Mr Taylor's control, would certainly have won had it been prepared to improve its share-and-cash terms. But Mr Taylor, who personally speaks for around 15 per cent of the shares in his own company, has been determined not to pay over the odds.

Last Friday brought the news that Caparo Group, part of Mr Swraj Paul's Caparo Industries and the biggest shareholder in Armstrong with 10.9 per cent, had decided not to accept - casting a further shadow over the bid which at the second closing date had attracted a mere 1.3 per cent of acceptances aside from Wardle's own holding.

Mr Taylor, however, refused to be downcast. "Quietly confident is what people say isn't it?" he said. "Our soundings suggest we have at least a good a chance as the other side."

This was despite the fact that the Armstrong share price seemed to be signalling failure.

It eased to 138p at Friday's close, a sizeable discount to the 155p offer, as hopes that Wardle would move into the market to pick up shares for cash faded.

But the Wardle side is able to point to a number of causes for optimism. First, 80 per cent of Armstrong's shares are in the hands either of Caparo or of institutions who might be expected to accept their large blocks of shares only at the last minute.

Second, any shareholder who has been holding out for a white knight must be giving up hope. Despite the host of companies around the world to which Armstrong, with its strong position in the UK shock absorber market, was initially expected to look attractive, not one has come forward.

According to Mr Taylor, this is not surprising considering the bid has revealed a more dauntingly parlous state of affairs at Armstrong than even he had guessed. Wardle itself ruled out improving its terms after Armstrong came up with a forecast of pre-tax profits 49 per cent higher at £8.5m, and earnings per share of 11.7p, for the year to July.

From a management point-of-view, discussion throughout the bid has focussed on whether Armstrong, which has for some years been the object of restructuring, has at last moved into a genuine recovery situation.

Brian Taylor (left), chief executive of Wardle Storeys and Roy Watts, chairman of Armstrong Equipment

Armstrong's case is that it is too early for shareholders to write off the present management team, which has not yet had time to prove its colours. True, Mr Roy Watts, the chairman who combines this role with heading up Thames Water, had put most of the top personnel in place by the summer of 1987 - yet profits actually fell in the last financial year.

But, says Armstrong, these people cannot be held responsible because profits were held back by inherited management control and accounting problems at the company's key shock absorber plant in York, which they would not have been able to sort out in time, and which have now been tackled.

Mr Taylor, however, dismisses Mr Watts's expressions of optimism as "yet another case of jam tomorrow." In contrast, under the slogan "Wardle Storeys: Good Industrial Managers" his company has pointed to its own dramatic growth over the last four years, when pre-tax profits have risen from £3.1m to £16.5m.

But perhaps on neither side is the management argument particularly strong. Wardle has some justification in saying Armstrong's historical record gives little cause for hope for the future. Armstrong, on the other hand, has a point when it says there is little know-how a company in the chemicals sector can contribute to its own widely different businesses.

In any case, by the time of writing their final documents to shareholders, dispatched on Friday, both sides were claiming victory as far as the management arguments were concerned. All that had to be sorted out, they said, was confusion over the price.

Aside from pointing out Wardle's offer contained no full cash or loan note alternative, Armstrong said it overlooked the strength of recovery in prospect.

On Wardle's own reckoning, its £8.5m forecast meant profits would increase by about 150 per cent during the second half.

Wardle, meanwhile was pointing out that its offer represented a historic p/e of 19.4 and a prospective price/ earnings multiple of 13.2. This, it said, was a "massive" premium to the rating of other UK motor components companies, with GKN, for instance, standing on a prospective multiple of around 7. If Armstrong were to fall into line with these companies, it was implied, its share price would have to drop to around 85p.

At least one institutional shareholder had found Wardle's arguments persuasive by Friday, and believed the bidder still had about a 50 per cent chance. But others were not so optimistic of its chances.

Thomson urged to give forecast

By Ray Bashford

LADBROKE GROUP, the international leisure undertaking, has again called on Thomson T-Line to give additional information about its trading performance as the takeover fight for the industrial holding company appears poised to intensify.

After receiving acceptances for 0.1 per cent of the capital though its 80p a share bid, Ladbroke has urged the Thompson T-line board to release details of its trading position and to say whether it is still in "regular contact" with a possible alternative bidder.

Since last month when Labroke announced its £165m offer, Wembley, the diversified leisure group, has been reported to be a possible counter bidder.

Acceptances for the Ladbroke offer close next Monday and it is expected that the situation could develop with a counter bid this week in the run-up to the closure.

Thomson shares have traded consistantly above the Ladbroke offer - closing at 93p last Friday - indicating that the market expects a higher bid.

Its principal asset and attraction is the ownership of Vernons football pools for which it paid £90m last year.

In an attempt to gain more information about this division in particular, Ladbroke has called on Thomson to "publish without further delay, a profit forecast by division for the current year for the benefit of all its shareholders."

The letter to shareholders also claims that the failed attempt to take over Suter cost Thomson £3.5m, representing 57 per cent of the group's pretax profits for the year to April 30 last.

BP and KIO deal not greenmail

By Eric Short, Pensions Correspondent

THE INVESTMENT Committee of the National Association of Pension Funds is satisfied that the share transaction between British Petroleum and the Kuwait Investment Office does not fall under the general description of greenmail.

The term greenmail is applied to situations such as a corporate raider acquiring shares in a particular company and then offering them for sale to that company at a price above the current market price. It is a practice used in the US.

Under the share transaction referred to, BP is buying the share holding which the Kuwait Investment Office has in the company.

However, Mr Donald Brydon, head of the fund management operations of BZW, the investment banking arm of Barclays Bank, and chairman of the NAPF Investment Committee, stated that because of its unique background, the committee was satisfied as to the propriety of the transaction.

It also felt that this was not a matter on which the Investment Committee should make a general policy decision. The judgement of the transaction remained entirely a matter for individual pension fund investors holding BP shares.

Mr Brydon, however, warned that the NAPF would look with concern on any development of greenmail tactics in the UK and of any response by corporate management to buy out greenmailers.

Markheath stake

Markheath Securities, the UK investment vehicle of Mr John Spalvins which has built up a 21 per cent stake in Camford Engineering, said its intentions were friendly. "Markheath regards its holding as a long term investment," the statement said, "and has no present intention of making an offer for the whole of the company".

ISIS tops £1m

ISIS Group, construction, engineering and property concern, lifted pre-tax profit from £375,000 to £1.05m in the half year ended September 30 1988.

Earnings almost quadrupled to 8.53p and, in the light of prospects, dividends are being resumed with an interim of 1.5p. The group is traded on the Granville OTC market.

COMPANY NEWS IN BRIEF

ARNCLIFFE HOLDINGS has acquired Gascoigne Property Company, the principal asset of which is an investment property of about 12,000 sq ft of shop and office accommodation in Leeds. The cash consideration was £450,000.

BURNS-ANDERSON Group has conditionally agreed to acquire Investors Planning Associates (Holdings) for an initial £1.1m, with a further payment up to £550,000 dependent on IPA's volume of business for the year to June 30 1989. IPA is an independent investment adviser.

CHESTERFIELD PROPERTIES has announced that it owns 83.2 per cent of the ordinary capital of Maybox, the theatre company.

It expects to declare its £7.1m offer unconditional if Maybox shareholders approve a change in the articles at an egm today.

CHRISTY HUNT: Triplex Lloyd received acceptances in respect of 42.5m ordinary and 30,352 preference by January 12, which together with the 1.75m ordinary acquired by Triplex, represents 89.39 and 60.7 per cent respectively.

CITYVISION has acquired the business and video film hire assets of Pebbletape. The option to acquire the share capital of Potters Video granted in April 1987 and the management agreement under which Cityvision has managed Potters have accordingly been terminated. Consideration is 700,000 newCityvision 5p ordinary and two Cityvision ordinary for every £1 of the net profit of Potters for the 12 months to November 30 1988.

FISHER (ALBERT), food distributor and processor, has bought Guanaria and Sons, a Leeds-based frozen desserts manufacturer, for £575,000 in shares and cash. The company will operate as a subsidiary of Frank Idiens and Sons.

INDUSTRIAL EQUITY Pacific, part of the group of companies run by New Zealand businessman Sir Ron Brierley, has lifted its stake in Mount Charlotte, the hotel and leisure group, by 1.1 per cent to 11.36 per cent.

KINGSGRANGE has delayed the announcement of its results for the six months to October 31 1988 for a few days so that it can coincide with the completion of the North American joint venture between Lyle Blair and Robert Foster as announced on December 21.

LEES (JOHN J) has received acceptances totalling 1.6m (81.68 per cent) for its rights issue of 1.9m ordinary by 3pm on January 11, the latest time for acceptance and payment in full.

MEYER INTERNATIONAL's proposed acquisition of certain assets of Norcros, namely UBM builders' merchants, will not be referred to the MMC.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Exmoor Dual Inv Tst, Fletcher King, Heritage, Parkfield, Ross Consumer Electronics, Smith (David S), Stanco Exhibition.
Finals- Anglia Television, Barr (AG), Eurotherm Intl, Gestetner, London Scottish Bank, Norfolk House, Sturge Holdings.

FUTURE DATES

Interims-

Applied Holographics	Jan. 23
Cray Electronics	Feb. 7
Dyson (J & J)	Jan. 23
Haynes Publishing	Jan. 30
Finals-	
Group Development Capital	Jan. 19
Hunterprint	Jan. 20
Splash Products	Jan. 20

FINANCIAL TIMES STOCK INDICES

	Jan. 13	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 6	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.01	87.05	87.14	87.18	86.90	86.70	91.43	86.18	127.4	49.18
Fixed Interest	96.51	96.56	96.38	96.36	96.09	96.00	98.67	94.14	105.4	50.53
Ordinary	1519.7	1511.9	1498.8	1503.5	1502.0	1481.3	1519.7	1349.0	1926.2	49.4
Gold Mines	163.9	163.8	163.1	164.2	162.9	163.4	312.5	160.7	734.7	43.5
FT-Act All Share	961.80	955.57	947.38	947.66	945.52	935.77	978.58	870.19	1238.57	61.92
FT-SE 100	1862.1	1850.9	1834.1	1836.0	1831.5	1811.3	1879.3	1694.5	2443.4	986.9

DIARY DATES

Trade Fairs and Exhibitions: UK

Current
International Lightshow Exhibition (0588-4658) (until January 18) — Olympia

January 17-19
International Contract Flooring Exhibition (021-705 6707) — Olympia

January 20-22
Daily Mail International Holiday Exhibition (0895-72277) — Alexandra Palace

January 24-26
Hirex Exhibition (01-660 8008) — Wembley Centre

January 26-February 1
British International Toy and Hobby Fair (01-701 7127) — Earls Court

January 29-February 2
International Food & Drink Exhibition – IFE (01-486 1951) — Olympia

February 5-7
Fashion Fabric and Sewing Fair (0422 51215) — Barbican

February 5-9
International Spring Fair (01-855 9201) — NEC, Birmingham

February 7-9
Textile & Technology Exhibition (01-385 1200) — G-Mex Centre, Manchester

February 9-12
Crufts Dog Show (01-493 7838) — Earls Court

February 12-19
North London Business and Industry Exhibition (0442 217468) — Picketts Lock, London

February 13-15
Information Technology Skills Exhibition-IT (0491 410222) — Olympia

February 15-16
Welding and Metal Fabrication Exhibition-WELDFAB (021 705 6707) — Harrogate Exhibition Centre

Overseas Exhibitions

Current
International Food Fair of Scandinavia (Copenhagen 518811) (until January 19) — Copenhagen

January 20-23
Leather and Suede Fashion Exhibition – PIELESPANA (0494-729406) — Barcelona

January 23-26
Middle East Electronic Communications and Computer Graphics Shows and Conference (01-486 1951) — Bahrain

January 29-February 1
Irish Crafts Trade Fair (Dublin 884939) — Dublin

January 29-February 1
International Confectionery, Chocolate and Biscuit and Trade Exhibition (01-225 5566) — Paris

February 10-13
International Spring Trade Fair of Household Goods, Crystalware, Ceramics, Silverware & Gifts – MACEF (01-242 7299) — Milan

February 17-19
International Holiday and Travel Fair (Cork 273006) — Cork

February 18-22
International Consumer Goods Fair (01-734 0543) — Frankfurt

Business and management conferences

Current
National Retail Merchants Association: annual convention and show (US 212-244 8780) (until January 18) — New York

January 17-18
Institute for International Research: Corporate identity and design management (01-434 1017) — CFS Conference Centre, London

January 19
Management Forum: Food and trading law developments (0483-570099) — Cafe Royal, London

January 19-20
The Royal Institute of International Affairs/The Middle East Institute: The Iranian revolution-10 years later (01-930 2233) — Chatham House, London

January 23-25
IRS Training: Complete employment-law (01-354 5858) — Royal Automobile Club, London

January 24
IPM: Pressure at work (01-946 9100) — The Swallow International Hotel, London

January 30
IBC: Risk management planning and systems (01-236 4080) — City Conference Centre, London

January 31
CBI Conferences/ CILT: Languages mean business (01-379 7400) — Centre Point, London

February 2
Tolley Conferences: Practical VAT annual conference (01-680 5682) — The London Press Centre

February 3
Forum Communications: Accounting for brands – evaluating these "under-rated" assets (01-938 2222) — Royal Garden Hotel, London

February 7-8
FT Conferences: The FT European Mergers and Acquisitions conference – Prospects in the Single Market (01-925 2323) — Hotel Inter-Continental, London

February 13
The Institute of Petroleum: North Sea oil and gas - the first quarter century and the next (01-636 1004) — London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

PARLIAMENTARY

Today

Commons: Security Service Bill, committee.

Motions on School Curriculum Development Committee and Secondary Examinations Council Orders.

Lords: Companies Bill, second reading.

Select committees: Public Accounts: subject, road planning. Witnesses: Sir Alan Bailey, Department of Transport; Mr R. McCrone, Scottish Development Agency; Sir Richard Lloyd Jones, Welsh Office. (Room 16, 4.30 p.m.)

Employment: subject, Legionnaires Disease. Witnesses: Health and Safety Commission and Health and Safety Executive. (Room 20, 5 p.m.)

Tomorrow

Commons: Security Services Bill, conclusion of committee consideration.

Motions on Scottish Housing Orders.

Lords: Children Bill, committee.

Petroleum Royalties (Relief) and Continental Shelf Bill, second reading.

Select committees: Education, Science and Arts: subject, the supply of teachers for the 1990s. Witnesses: Department of Education officials. (Room 15, 4.15 p.m.)

Committee on Private Bills: Associated British Ports (No. 2) Bill and North Killingholme Cargo Terminal Bill (Room 6, 10.30 a.m.)

Wednesday

Commons: Opposition debate on "The freeze on child benefit" followed by Opposition debate on "The inadequacy of Government provision for pre-school education and child care."

Motion on EC document on the beef regime 1988-9.

Lords: Debate on Scottish affairs, followed by debate dealing with the circumstances under which parliamentary debates during the passage of legislation can be considered by the courts in their interpretation of the resulting statute.

Question to Government on action to improve money management, education in schools and elsewhere.

Select committees: Agriculture: subject, salmonella in eggs. Witnesses: Institution of Environmental Health Officers, Association of District Medical Officers, British Veterinary Association and Royal College of Veterinary Surgeons. (Room 10, 10.30 a.m.)

Environment: subject, toxic waste. Witness: National Association of Waste Disposal Contractors. (Room 21, 10.30 a.m.)

Foreign Affairs: subject, Eastern Europe and the Soviet Union. Witnesses: Dr J Eyal, Royal United Services Institute for Defence Studies; Mr T Garton-Ash, The Spectator; Mr G Schopflin, London School of Economics. (Room 8, 10.30 a.m. and Room 20, 4.15 p.m.)

Trade and Industry: subject, privatisation of Harland and Wolff. Witnesses: Harland and Wolff management and trade unions. (Room 15, 10.30 a.m.)

Welsh Affairs: subject, condition and repair of privately owned housing; tourism in Wales. Witness: Mr Peter Walker, Welsh Secretary. (Room 18, 10.30 a.m.)

Agriculture: subject, salmonella in eggs. Witnesses: Retail Consortium, Food and Drink Federation, AFRC Institute of Animal Disease Research and Institute of Food Research. (Room 10, 4 p.m.)

Employment: subject, Employment and Training White Paper. Witnesses: Mr Norman Fowler, Employment Secretary, and Mr John Cope, Minister of State. (Room 20, 4.15 p.m.)

Public Accounts: subject, stocktaking in the Ministry of Defence: Service Hospitals. Witness: Sir Michael Quinlan, MoD. (Room 16, 4.15 p.m.)

Social Services: subject, resourcing the National Health Service; Whitley Councils. Witnesses: National Association of Health Authorities; National Association of Health Service Personnel Officers. (Room 21, 4.15 p.m.)

Trade and Industry: subject, privatisation of Short Bros. Witnesses: Short Bros management and trade unions. (Room 15, 4.15 p.m.)

Transport: subject, roads for the future. Witnesses: The Automobile Association and Friends of the Earth. (Room 17, 4.15 p.m.)

Committee on Private Bills: Associated British Ports (No. 2) Bill and North Killingholme Cargo Terminal Bill (Room 6, 10.30 a.m.)

Thursday

Commons: Motions on the Rate Support Grant Report (England) 1989-90 and supplementary reports.

Lords: Children Bill, committee.

National Maritime Museums Bill, second reading.

Committee on Private Bills: Associated British Ports (No. 2) Bill and North Killingholme Cargo Terminal Bill. (Room 6, 10.30 a.m.)

Friday

Commons: Private members' motions.

FINANCIAL

TODAY
COMPANY MEETINGS-
Anglia Secure Homes, Embassy Suite, Balkerne Hill, Colchester, 12.00
BOARD MEETINGS-
Finals:
Anglia Television
Barr (A.G.)
Eurotherm Intl.
Gestetner
London Scottish Bank
Norfolk House
Sturge Hldgs.
Interims:
Exmoor Dual Inv. Tst.
Fletcher King
Heritage
Parkfield
Ross Consumer Elects.
Smith (David S.)
Stanco Exhibition Grp.
DIVIDEND AND INTEREST PAYMENTS-
Aberdeen Steak Houses 0.75p
Anglo & Overseas Trust 4½% Prf. 1.575p
California Energy 0.27cts.
Cape Inds. 2p
Chrysler Corp. 25cts.
de Morgan Group 1.25p
Elliott (B.) 1.1p
European Inv. Bank 9% Ln. 2001 4.5pc.
GEI Intl. 2.14p
HPC Group 1p
Hambros 3.3p
Do. NV 2.1p
Hamilton Oil Corp. 2.5cts.
Hepworth 7¼% Deb. 88/93 3.575pc.
Hughes (HT) 1.1p
Lilley (F. J. C.) 0.6p
McLeod Russel Hldgs. 2.25p
Millward Brown 1.5p
Questel 3p
Readicut Intl. 0.57p
Scantronic Hldgs. 0.33p
Sheraton Securities Intl. 1.5p
600 Group 2.46p
Southnews 1.8p
Treasury 8% Cnv. 1990 4pc.
Do. 8½% Ln. 2007 4.25pc.
Zygal Dynamics 10p

TOMORROW
COMPANY MEETINGS-
Borthwicks, Butchers' Hall, 87, Bartholomew Close, E.C., 12.00
Circaprint Hldgs., Post House Hotel, Wrotham, 11.30
Concentric, Penns Hall Hotel, Penns Lane, Sutton Coldfield, 2.30
Kwik Save Grp., Mollington Banastre Hotel, Parkgate Road, Chester, 12.00
BOARD MEETINGS-
Finals:
Aukett Assoc.
Brooke Tool Eng.
Burnedene Inv.
Johnstones Paints
LPA Inds.
Lon. & Clydedale Hldgs.
Interims:
Adscene
Courts (Furnishers)
Empire Stores
Hampson Inds.
[illegible]

WEDNESDAY JANUARY 18
[illegible]

Wolverhampton & Dudley Breweries, Regency Hotel, Stratford Road, Shirley, Solihull, W. Midlands, 12.00
BOARD MEETINGS-
Finals:
First Leisure Corp.
Lookers
Interims:
Brunning Grp.
Clarke (M.) & Sons
Clogau Gold Mines
Electron House
Highgate & Job
Highland Elect.
VSEL Consortium
DIVIDEND & INTEREST PAYMENTS-
Caledonia Invs. 3.5p
Dawson Intl. 2.85p
Equity Consort Inv. Tst. 4.5p
Marling Inds. 1.2p
Merrydown Wine 1p
Northern Indl. Improvement Tst. 12.94p
Northern Rock Bldg. Soc. Fltg. Rate Nts. 1995 £152.81
Premier Grp. 60cts.
Property Partnerships 2p
Quadrant Grp. 1.25p
Westbury 3p
York Tst. Grp. 1p

THURSDAY JANUARY 19
COMPANY MEETINGS-
Airtours, Holiday Inn, Crown Plaza, Manchester, 11.30
Govett Atlantic Inv. Tst., 4, Battle Bridge Lane, S.E., 12.30
Morland & Co., The Brewery, Ock Street, Abingdon, 12.30
Strata Invs., 3, Finsbury Avenue, E.C., 2.30
BOARD MEETINGS-
Finals:
Cardiff Property
Colorvision
Group Dev. Capital Tst.
Moorfield Estates
Selective Assets Tst.
Trusthouse Forte
Waverley Cameron
Interims:
Cook (D.C.)
Fitch Lovell
Jarvis (J.)
Kewill Systems
Symonds Eng.
DIVIDEND & INTEREST PAYMENTS-
Chancery 2.5p
Hill Samuel Fltg. Rate Nts. 2018 $485.39
MEPC 11p
Phoenix Timber 1.1p
Pugh Davies 7% Non-Cum. Ptg. Prf. 4.41p
Sherl Grp. 1.8p
Stoddard Sekers Intl. 0.55p
Sungei Besi Mines Malaysia 60sen.
TGI 2p
Treasury 2% I.L. 2006 £1.52
Vosper Thornycroft 2.75p

FRIDAY JANUARY 20
COMPANY MEETINGS-
Amber Day Hldgs., Portland Hotel, 22, Portland Square, 11.30
Bennett & Fountain, 50, Stratton Street, W., 10.30
M. & G. Grp., Painters Hall, Little Trinity [illegible]
[illegible]

SATURDAY JANUARY 21
DIVIDEND & INTEREST PAYMENTS-
[illegible]

SUNDAY JANUARY 22
DIVIDEND & INTEREST PAYMENTS-
[illegible]

CONSTRUCTION CONTRACTS

Metamorphosis at the Docks

BARRATT, the company responsible for the refurbishment of the Wapping Dock warehouse, alongside Liverpool's Albert Dock, has been awarded a £25m contract to transform another of the city's riverside installations into housing by creating a dockside village at Waterloo Warehouse just north of the Pier Head.

The project, a joint partnership venture with Mersey Docks and Harbour Co, will create 300 luxury apartments priced from £45,000 to £130,000 over the next five years and ensure jobs for hundreds of local building tradesmen.

The development includes construction of nearly 200 luxury one to three-bedroom apartments within the disused grain storage warehouse built in 1868.

As part of the joint venture Barratt also proposes to build over 100 apartments on land opposite Waterloo Dock Warehouse, creating a waterside village enclosed within a perimeter screen wall on the banks of the River Mersey. All 300 apartments will front the central water-filled dock.

Like Wapping Dock, the Waterloo Warehouse is preserved as a Grade II listed building. Apartments there will be similar in size to Wapping, averaging over 1,100 sq ft, but the interior layout will give more emphasis to two-bedroom properties.

City of London office development

AMEC PROJECTS has been appointed management contractor for a £10.8m office development in the City of London, close to the Skinners Hall and Cannon St Station.

For joint developers Reinhold and Ranelagh, the project will produce two linked eight-floor office blocks to advanced specification with high-grade envelopes in Portland stone, stucco and facing brickwork.

The two buildings - College Hall House and Pelliper House - will contain basement, lower ground and ground floors, and five further storeys of air-conditioned office accommodation, with between 4,900 and 5,600 sq ft per floor.

On the same contract, AMEC Projects will also be responsible for a two-storey extension to the kitchen of the adjacent Skinners Hall. The scheme is programmed for completion during the Spring of 1990. AMEC Projects is a member of the AMEC Group.

Building West Yorkshire reservoir

Contracts totalling £5.8m have been awarded to NORWEST HOLST CONSTRUCTION in Yorkshire, the North West and Scotland.

The first is for a £2.6m reservoir at Staincliffe in West Yorkshire. The 32,000 cu metre Yorkshire Water Authority standard pattern reservoir with inlet and outlet chambers and associated pipework is being constructed for the Authority's western division. Work on site is under way and is scheduled to take 80 weeks.

At Shell UK's Stanlow manufacturing complex in Ellesmere Port, the company is building a loading jetty. During the £1.6m contract, a structure will be removed and replaced with a reinforced concrete jetty resting on 610mm diameter tubular steel piles. Client for the contract is Shell Chemicals UK and construction is scheduled to last 34 weeks.

At Drymen, north west of Glasgow, Norwest Holst is undertaking the £1.6m extension of the Buchanan Arms Hotel. The work comprises a two-storey, steel-frame bedroom extension and a single-storey function suite and leisure club complex. The 39-week scheme is for Scottish Highland Hotels.

Cambridge research laboratory

SDC BUILDERS has won contracts totalling more than £8.5m. The largest is the third phase of St John's Innovation Centre, a Cambridge University laboratory and research facility, due for completion in a year's time and costing £3.5m.

Among the larger contracts are two factory starter units for Ironcliffe Estates at Perivale, West London (£1.1m) and Marton Developments at Uxbridge (£530,000) while the Barclays Bank-owned Camden Motors Group, is having a Citroen dealership garage, worth £1.1m, built at Wolverton, Bucks.

Antrim hospital project

McLAUGHLIN & HARVEY has been appointed the main contractor for the construction of a 313 bed hospital in Bretton Woods, Antrim, Northern Ireland.

Work on the £28.6m contract has started and the project is scheduled for completion in four years time. Over this period some 200 jobs will be created and the first patients will be admitted within a year of completion.

The hospital is seen as a key part of the Northern Health & Social Services Board's strategy for the development of hospital services in the area serving Ballymena, Larne and Whiteabbey.

Lloyds Bank premises

FAIRCLOUGH CIVIL ENGINEERING has been awarded a £3.4m sub-contract for the construction of the substructure and concrete frame superstructure for the three-storey crescent-shaped headquarters for Lloyds Bank at Canons Marsh, Bristol. Work on the nine-month package has started with completion scheduled for July.

APPOINTMENTS

New post at TSB

■ TSB ENGLAND & WALES has appointed Mr Charles Love to the new post of managing director (operations). He was an executive director, responsible for TSB Property Services, Mortgage Express, and TSB Private Bank International. Mr Nick Cowan has been appointed general manager, personnel. He was personnel controller.

■ Mr J.R. Marshall will succeed Mr A.L. Charlesworth as joint managing director-construction, housing and property at JOHN MOWLEM & CO on June 1. Mr Charlesworth will remain a director.

■ MARSTON, THOMPSON & EVERSHED has appointed Mr Peter Bentley to the board as a non-executive director. He is managing director of Jackson-Stops and Staff.

■ THE WALT DISNEY COMPANY has appointed its first female managing director. She is Ms Renee Deutsch, who takes charge of the consumer products division in the UK. Ms Deutsch has been with Walt Disney for three years, latterly as marketing director in London.

■ DIXONS GROUP has appointed Mr Graham Beevers as deputy managing director of its subsidiary Dixons Stores Group. He was sales director.

■ Mr Chris Winkley has been appointed a director of communications at PENINSULAR ELECTRONICS, and BROADGATE. He was general manager.

■ Mr Richard J. Smith has been appointed director and general manager of KYOCERA ELECTRONICS (UK). He was financial director of Tektronix UK.

■ Mr Richard Young, deputy chairman of the MIDLAND ELECTRICITY BOARD has been appointed managing director (designate) for when the organisation is privatised.

Mr Robin Longdon has been appointed director of sales at CHAMPION SPARKING PLUG CO with responsibility for the UK and Eire.

■ Mr John A. Vernon, former managing director of Glickenhaus London, has been appointed branch manager and managing director of SANWA-BGK London subsidiary of Sanwa-BGK Securities, New York. Mr William T. Harrington becomes executive director and head of sales, and Mr Anthony A. Hill is appointed executive director and head of trading.

■ Mr Alan J. Brookes has been appointed chief executive of JARDEN MORGAN (UK), London stockbroking subsidiary of Jarden Morgen, Australia.

Mr David Watkins has been appointed financial director of C.P. ROBERTS & CO., Potters Bar. The following have been appointed managing directors of various subsidiaries: Mr Paul Beevers, Mr Colin Hall, Mr Dennis Nicholls, and Mr Colin Roper.

Changes at Tilcon

■ Mr John Hague, TILCON's north central area director, has become managing director of the newly-formed concrete and mortar division. Mr J.N. Place, managing director - southern division, takes control of the quarry products and contracting division - central, with Mr D.W. Hallsworth, Midlands and western area director. Mr B.J. Howarth, managing director - northern division, takes control of the quarry division - northern, with Mr G.S. Greenhalgh as Scottish area director. Mr John Stewart, Scottish area director, and Mr Wyn Edge, northern area director, have retired.

■ Mr Rodney Adler, chief executive of the FAI INSURANCE GROUP, has been appointed chairman of Sydney & London Properties and its subsidiaries following the death of his father Mr Larry J. Adler. Mr Greg Shand, a senior executive of the FAI Insurance Group, has joined the board of Sydney and London Properties, and its subsidiaries. Mr Adler has also been appointed director of Consolidated Land Corporation UK and its wholly-owned Irish holding company, Consolidated Land Corporation Ireland.

■ AVON COSMETICS has appointed Mr Stephen Bogira as vice president, planning and administration, a new post. He was finance and administration director at Swan National Rentals.

■ Mr Brian A. Carte, managing director, National Westminster Insurance Services, has been elected president of the ASSOCIATION OF CORPORATE TREASURERS.

■ Mr Tony Harris has been appointed director of marketing for European operations at DIGITAL RESEARCH (UK).

Mr Robert Drummond, managing director of County NatWest Ventures, and executive director of County NatWest, is to join the board of ELECTRA INVESTMENT TRUST on March 1. He will become a vice chairman of Electra Management Services. Mr David Symondson has been appointed to the board of Electra Management Services.

■ Mr Bernard Ness, chairman and chief executive officer of Canada Wire and Cable has been appointed a non-executive director of ULTRAMAR.

■ Mr Robert J. Kemble has been appointed to the new post of managing director at LABATT BREWING UK, a subsidiary of Labatt Breweries of Canada. He was director of sales and promotions. Mr Michael D. Hurst becomes vice president marketing of Europe, and Mr R. John Diakiw is made marketing director.

■ J.H. MINET & COMPANY has appointed Mr Simon Lovett as executive director of the oil and gas division.

■ MEGGITT has appointed Mr Gordon Lovett as director of a group of companies in the controls and instrumentation division. In the group Mr Stuart Reid is appointed managing director of the KDG/Mobrey companies and Mr Robert Butcher is appointed managing director of Negretti Automation.

■ Mr Tony Gannon has been appointed marketing director of BRITISH CAR AUCTIONS. Mr Tom Madden has been appointed director, customer affairs.

■ Mr Roger Booth has been appointed deputy managing director of WILLMOTT DIXON's Anglia company Bush Gould. He was construction director.

■ Mr Alexander von Mellenthin has been appointed an associate director et YAMAICHI INTERNATIONAL (EUROPE). He was with S.G. Warburg.

■ Mr Thomas H. Wyman has joined the board of UNITED BISCUITS (HOLDINGS) as a non-executive director and alsc as chairman of the group's American subsidiary UB (Holdings) U.S. Based in New York he is a former chairman and chief executive officer of CBS Inc.

■ Mr Adrian Shooter, national business manager of Red Star, is to be director, parcels, BRITISH RAIL. He succeeds Mr Brian Burdsall who became director, quality, last November.

■ DATAPOINT (UK) has appointed Mr David Parcell as sales director.

■ Mr Stanley Brown has been appointed managing director in charge of commercial development and investment in the property division of TILBURY GROUP. He was deputy managing director of Ladbroke City and County Land Co.

■ ASH & LACY has made the following appointments: Mr John Horne has been apppointed finance director of Ash & Lacy Perforators; and Mr Jeff Hollies becomes finance director of W. & S. Allely, and south western area manager Mr Mark Whitmore joins the board.

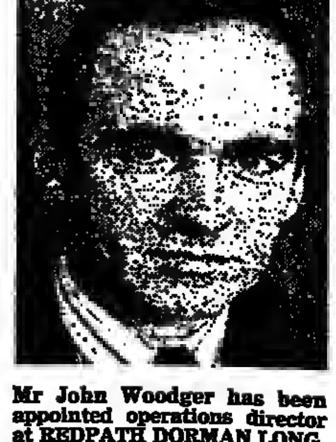
■ DACIA CONCESSIONAIRES has appointed Mr Richard Styer as chief executive. Mr Peter Dicken becomes commercial and financial director.

■ Mr Brian J. Goggin has been appointed deputy managing director of BANK OF IRELAND HOME MORTGAGES. He was financial director.

■ Mr Paul Griffiths has been appointed an executive director of BARING CAPITAL INVESTORS. He was an investment director at 3i.

■ CITIBANK has appointed Mr Nick Jones as head of insurance banking in its financial institutions group. He was head of insurance banking in Tokyo.

■ Mr Jack Alston has been appointed chairman of JARDINE (LLOYD'S UNDERWRITING AGENTS) following the death of Mr Ben Lyon. Mr Graham White succeeds Mr Martin Wakeley as non-executive director. Mr Richard Pears, an external member of Lloyd's of London who underwrites through the company, has joined the board.



Mr John Woodger has been appointed operations director at REDPATH DORMAN LONG, a company in the offshore and structural division of Trafalgar House. He joined from Northern Engineering Industries.

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: [illegible] – 0001 to 1100 hours; [illegible] – 1101 to 1400 hours; [illegible] – 1401 to 1700 hours; [illegible] – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio realisation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Wardley Unit Tst Mngrs Ltd (0900)H

Waverley Unit Tst Mngmt Ltd (1000)F

Wellington Fund Mngrs Ltd (1200)F

Wessex Asset Management (1330)F

Whittingdale Unit Tst Mgmt Ltd

Willbro Financial Services Ltd (0900)F

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
Norwich Union Life Insurance Soc.				
PO Box 149, Norwich NR1 3NG 0603 622200				
Unitised Pensions				
With Profits Fd	110.34	116.15	–	43216
Managed Fd	119.92	126.24	–	43217
UK Equity Fd	120.58	126.93	–	43218
International Fd	126.84	133.52	–	43219
European Fd	118.22	124.44	–	43220
North American Fd	115.97	122.07	–	43221
Pacific Fd	125.27	131.86	–	43222
Property Fd	125.76	132.37	–	43223
Fixed Int Fd	101.53	106.87	–	43224
Intl Bond Fd	104.49	109.99	–	43225
Bldg Soc Dep Fd	104.95	110.48	–	43226
Pensionmaster* & Unit-Linked Plus*				
Fixed Interest Fund	286.5	101.5	–	43227
Index-Linked Sec Fund	155.2	163.3	–	43228
Ordinary Share Fund	469.8	494.5	–	43229
International Fund	136.3	143.5	–	43230
Property Fund	213.4	224.6	–	43231
Deposit Fund	188.0	197.9	–	43232
Mixed Fund	328.4	345.7	–	43233
Norwich Units October 15	772.28		–	43254
*Prices as at January 10				
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop. Dist. (Gross)	179.5	189.0	–	43235
Prop. Acc. (Gross)	302.3	318.3	–	43236
Equity (Gross)	661.2	696.0	–	43237
Managed (Gross)	485.0	510.6	–	43238
Prop. Acc. (Net)	139.9	147.3	–	43239
Equity (Net)	156.4	164.6	–	43240
Managed (Net)	149.4	157.3	–	43241
International (net)	134.9	142.0	–	43242
Gilt & Fxd Interest	101.5	106.9	–	43243
Money Fund	103.1	108.6	–	43244
Pearl Assurance (Unit Linked Fund) Ltd				
Ret Man (Series 1)	463.6	488.1	–	43245
Ret Man (Series 2)	157.3	165.6	–	43246
Ret Man (Series 3)	103.7	103.7	–	46462
Ret Cash	129.2	136.0	–	43247
Ret Cash (Series 3)	106.1	106.1	–	46463

	Bid Price	Offer Price	Yield Gross	City-line
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund	915.4	961.2	–	43476
Equity Fund	202.4	212.5	–	43477
International Fd	139.5	146.5	–	43478
Fixed Interest Fd	151.4	159.0	–	43479
Property Fund	209.6	220.1	–	43480
Index-Linked Fund	132.3	138.9	–	43481
Deposit Fund	132.6	139.2	–	43482
Pens. Mixed (Ord) Fd	213.0	223.7	–	43483
Gold Pensions				
Discretionary Fund		103.4	–	–
Equity Fund		99.2	–	–
Fixed Interest Fund		104.6	–	–
International Fund		104.5	–	–
Property Fund		126.8	–	–
Index-Linked Fund		108.4	–	–
Deposit Fund		105.1	–	–
S & F Consolidation		102.6	–	–
S & F Balanced		102.5	–	–
S & F Maximum Growth		93.7	–	–
Provident Mutual Life Assc. Assn.				
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	298.2	313.9	–	43484
Managed Init	243.1	255.9	–	43485
Equity Ord	409.2	430.7	–	43486
Equity Init	333.7	351.3	–	43487
Index Linked Gilt Ord	131.2	138.1	–	43488
Index Linked Gilt Init	111.7	117.6	–	43489
Overseas Equity Ord	273.7	288.1	–	43490
Overseas Equity Init	223.2	234.9	–	43491
Property Ord	189.7	199.7	–	43492
Property Init	154.7	162.8	–	43493
Fixed Interest Ord	173.2	182.3	–	43494
Fixed Interest Init	141.2	148.6	–	43495
Deposit Ord	139.2	146.5	–	43496
Deposit Init	113.5	119.5	–	43497
Pension Funds				
Managed Ord	361.9	380.9	–	43498
Managed Init	295.1	310.6	–	43499
Equity Ord	514.0	541.1	–	43500

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Provident Institution

Scottish Widows' Group

Scottish Mutual Investments

Shield Assurance Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Sun Life Unit Assurance Ltd—Contd.

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY AUTHORISED

Knight Williams & Company Ltd

Lazard & Partners Plc

M & G Financial Management Plc

March Financial Management Ltd

The Newsletter Group

O'Hallaran & Co/Countrywide

The Perchester Group

Richmond Financial Management Ltd

Tattersall Investment Mngt. Ltd

Yorkshire & Lancashire Investment Mgt.

Prudential Intl Financial Services Ltd

Rothschild Asset Management

Royal Bank of Canada Funds

JERSEY AUTHORISED

IoM AUTHORISED

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
129.1	♥Unilab	139p	–	–	–	–	–
3,982.3	Utd. Technologies	23½	$1.60	3.8	15.11	Mr Je Sp De	4381
–	♥Utilitech Inc.	150p	–	–	–	–	–
6,582.2	US West‖	32⅝	$3.52	5.9	13.4	Fb My Ag No	–
5,229.9	Waste Management $1	23⅛	48c	1.1	16.12	Ap Jly Oc Jan	4439
986.6	Whirlpool $1	14⅝	$1.10	4.3	30.11	Mr Je Se De	–
2,151.8	Whitman Corp.	19⅛	96c	2.8	6.12	Ap Jy Oc Ja	2951
1,999.0	♥Woolworth $3½	30⅞	$1.64	3.0	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♥ABM Gold Corp ‖	[illegible]	–	–	–	–	–
–	♥Abbot Energy Corp.	4½p	–	–	–	–	–
590.4	♥Amer. Barrick Res.	10[illegible]	–	–	–	–	–
–	♥Amer. Lightwave ‖	2[illegible]	–	–	–	–	–
–	♥Anmeco	13[illegible]	–	–	–	–	–
–	♥Augmitto Expln.	[illegible]	–	–	–	–	–
1,408.5	Bk. Montreal ‖	13[illegible]	$2.00	6.7	8.8	Fb My Ag Nv	–
1,101.3	Bk. Nova Scot. ‖	[illegible]	84c	5.8	28.9	Ja Ap Ju Oc	–
4,728.3	BCE ‖	17[illegible]	$2.44	6.3	6.6	Ap Jy Oc Ja	–
260.5	♥Bow Valley‖	[illegible]	40c	2.9	15.12	May Nov.	–
933.5	♥Brascan‖	13[illegible]	88c	2.9	28.10	Ja Ap Jy Oc	–
41.3	♥Breakwater Res.	[illegible]	10c	2.5	–	–	–
1,799.8	Can. Imp Bank‖	11[illegible]	$1.16	4.6	29.6	Fe My Au No	–
3,182.3	Can. Pacific ‖	18[illegible]	76c	3.3	28.9	July Jan.	–
18.0	Do. 4pc Deb £100.	38½xd	4%	10.4	24.11	July Jan	2051
–	Central Capital "A" ‖	388p	–	–	–	–	–
–	♥Corona Corp.	376p	–	–	–	–	–
38.1	♥Coes TVX Min.	235p	–	–	–	–	–
–	♥Danbus Mem. Syst.‖	48½p	–	–	–	–	–
–	♥Derlan Inds. ‖	571p	11.75c	0.9	3.6	Mr Je Se De	–
786.1	♥Echo Bay Mines	830p	$0.07	0.4	–	June Dec	–
–	♥ECO Corp ‖	542p	–	–	–	–	–
–	♥Energex Minerals‖	14p	–	–	–	–	–
–	♥Euro-Asia Capital ‖	98p	–	–	–	–	–
63.8	♥Galactic Resources	214p	–	–	–	–	–
268.6	Gandalf Techs. Inc.	387p	–	–	–	–	5088
7.04	♥Geodome Res.	53p	–	–	–	–	–

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

8.19 Royal Sovereign 10p	185	†4.6	3.3	3.10	May Nov 1505
1.44 Scott Pickford 10p	20	3.1	20.2	–	
6.94 Seacon Hldgs.		21.0	1.3	19.9	October
0.93 Sonic Tape 2½p		–	–	–	–
4.70 Stats Hldgs. 5p		–	–	–	–
3.56 Swanyard Studios 1p		–	–	–	–
27.3 Takare		b1.0	0.4	–	–
3.14 Tomorrows Leisure 20p		–	–	–	–
11.6 Tullow Oil 10p		–	–	–	–
4.23 UPL Group 10p		12.41	3.1	28.11	June
7.49 Unit Group		F7.5	6.9	28.11	Jan July
9.92 Whitegate Leisure 20p		–	–	–	–
0.70 Do. Wrrnts.	30	–	–	–	–
16.9 Wilton Group 1p		–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	67	......
Craig & Rose £1 γ	710	......
Finlay Pkg. 5p γ	86	+1
Holt (Jos) 25p γ	1198	–5

IRISH

Cap. 8¼% Ln. 1991	£99⅝	......
9pc Cap Ln. 1996	£108¼	......
Fin. 13% 97/02	£124½	......

Arnotts	380	......
Carrol (P.J.) γ	147	......
For Grafton Group see Industrials (Misc)		
Hall (R. & H.)	153	+1
Helton Hldgs. γ	64	......
Irish Ropes	165	......

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	15
Cadburys	51
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	15
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met.	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	38
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	38
STC	24
Sears	15
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	38
Land Securities	52
MEPC	58
Peachey	54

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	40
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES REVIEW

Charting a course for the dollar

AT A New Year celebration, held by the Bank of Tokyo in London, guests were asked to forecast the dollar's value against the yen at the end of 1989. The highest was Y195, the lowest Y95; not surprisingly, the majority came in the Y110 to Y120 range, with the average about Y115.

Forward rates now allow the dollar to be sold under a 12-month contract at about Y120, and if the general level of forecasts from dealers at the Bank of Tokyo party turn out to be correct, the dollar could then be bought back for about Y115.

In the meantime, of course, dollars held will be attracting higher interest rates; the 12-month Eurodollar rate is now about 9¾ p.c. while the 12-month yen rate is under 5 p.c. So, it is an attractive proposition to hold dollars, even if US interest rates do slide lower.

Barclays de Zoete Wedd highlights how wide interest rate differentials have become between New York and Tokyo, noting that the three-month differential is now the widest for four years. BZW sees the dollar as the most attractive major currency.

There is a technical resistance point of Y126.80 on chart based trading, and the dollar tested it on Friday. It had also moved through a resistance point of DM1.8380 against the D-Mark, in a three-month high of DM1.8430, before falling back on co-ordinated central bank intervention and lower than expected December US retail trade figures. Nevertheless, the underlying sentiment was not too badly damaged.

Chart-based trading suggests the dollar remains an attractive proposition, at least in the short to medium term. Charts are based on moving averages, which may be as short as fifteen minutes, and as long as 200 days. Moving averages for 30 days are likely to show the establishing of a trend, but the market feels that 130 days gives the best medium term guide to currency movements.

The dollar is now above its 130 day moving average against most European currencies, and on charts that signals a strong upward trend. For example, the 130 day moving average against the D-Mark is DM1.8200, and on Friday the dollar closed in London at DM1.8320.

The signal is not so strong in terms of the yen, where the 130 day moving average is Y129.06. On Friday the dollar closed at Y126.65, but this is above the 30 day moving average of Y123.97.

Sterling is also a good buy against the D-Mark, but not against the dollar, on a similar basis. The 130 day moving average against the D-Mark is DM3.1770, and on Friday the pound rose to DM3.26. BZW believes the pound can move through DM3.30, and could even reach DM3.40.

But not everyone agrees. They seldom do in the foreign exchange markets, and Mr Chris Tinker at Phillips and Drew does not see the momentum left in sterling to move it much above DM3.2750. He points out that last Autumn, Mr Nigel Lawson, the Chancellor, said he was happy with sterling at 3 p.c. either side of the then current exchange rate index.

Based on the new index, the top of this range would be 98.3 according to Mr Tinker, and this level was touched on last Thursday morning.

The Chancellor, says Mr. Tinker, is happy with the present level of sterling, but only because he does not expect it to stay there very long. Mr Tinker (and probably the Chancellor as well) thinks the pound will weaken later this year, as inflation peaks and UK interest rates can come down again.

Colin Millham

£ IN NEW YORK

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

Jan.13	Bank of England Index	Morgan Guaranty Changes %
Sterling	98.1	-13.4
U.S Dollar	66.5	-12.1
Canadian Dollar	101.0	-1.6
Austrian Schilling	106.7	+9.8
Belgian Franc	105.8	-6.2
Danish Krone	103.5	-1.4
Deutsche Mark	112.7	+20.5
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Jan.13	£	$
Argentina	29.5870 - 29.7465	16.5800 - 16.6600
Australia	2.0530 - 2.0565	1.1505 - 1.1515
Brazil	1491.20 - 1499.40	835.40 - 839.55
Finland	7.5555 - 7.5775	4.2400 - 4.2420
Greece	267.65 - 272.15	151.30 - 154.05
Hong Kong	13.9225 - 13.9355	7.8045 - 7.8065
Iran	122.75*	68.85*
Korea(Sth)	1209.20 - 1218.90	680.20 - 685.80
Kuwait	0.50590 - 0.50640	0.28360 - 0.28370
[illegible]	[illegible]	[illegible]

*Selling rate

STERLING INDEX

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

EXCHANGE CROSS RATES

[illegible]										
F Fr.	0.899	1.601	2.932	202.8	10.	2.500	3.309	2153	1.924	61.29
S Fr.	0.360	0.640	1.173	81.12	4.000	1	1.324	861.2	0.770	24.52
H Fl.	0.272	0.484	0.886	61.28	3.022	0.755	1	650.5	0.582	18.52
Lira	0.418	0.744	1.362	94.19	4.645	1.161	1.537	1000.	0.894	28.47
C $	0.467	0.832	1.523	105.4	5.196	1.299	1.720	1119	1	31.85
B Fr.	1.467	2.612	4.784	330.9	16.32	4.079	5.400	3513	3.140	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

MONEY MARKETS

Bundesbank likely to tighten its stance

TIGHTER MONETARY policy by the West German Bundesbank could be the most significant interest rate movement on the horizon. This would be seen as a move to defend the D-Mark against the dollar, but the Bundesbank would may also welcome the opportunity to raise interest rates to control money supply growth and inflationary pressure.

The dollar is strong, and the D-Mark relatively weak at present, but the picture could change with a tightening of the Bundesbank's monetary stance.

Growth in M3 money supply has been above the Bundesbank's target for the last three years. The target was set at 3 p.c. to 6 p.c. last year and the high point has been reduced to 5 p.c. this year. Inflation in West German is running at an annual rete of 1.6 p.c., but this will not be helped by any further weakening of the D-Mark. Forecasts suggest that unless the Bundesbank acts, there is a danger of inflation reaching 3 p.c.

Zero inflation is West Germany's stated aim, and it is unlikely to let the possibility of a realignment in the EMS prevent it from trying to achieve its goal.

Higher German interest rates will put downward pressure on other currencies.

UK clearing bank base lending rate
13 per cent
from November 25

According to Chase Manhattan in London the Dutch guilder is likely to be revalued within the EMS in line with the D-Mark, while the Belgian franc and Italian lira will be devalued. The French franc is also likely to be devalued, but perhaps not by very much. The French authorities have already tightened monetary policy, to support the franc.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 82,917
A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BASE LENDING RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,835 Set by QUARK

ACROSS

1 and 5 Net result? You're out of place if like it (4,3,2,5)
9 Daniel is well known for a book (5)
10 Could produce drop in certain craft (3,6)
11 Wine sent round includes trace of hock. Topical? (2,3,4)
12 House call (5)
13 Item partly to stop icicles forming (5)
15 Amber mole could be worthy of note (9)
18 Canny Scot is changing, yet showing stability (9)
19 Stylish – like first-rate hotel (5)
21 The age when confidence returns – about beginning of century? (5)
23 Noble bird in America (9)
25 Day after for poet (3,6)
26 Record carrier – a sort of apron (5)
27 Favour routine that takes in the scenery (7)
28 Collecting tin could be upset (7)

DOWN

1 One with a craze has sum in hand (7)
2 Could provide a hold-up. One's suitably covered (6,3)
3 Bulky order in the London area? (5)
4 Workers disturbing dream nest (9)
5 Designer loses head for Iris (5)
6 Miniature furniture remover? (9)
7 English tank in the wars that's captured (6)
8 Don't stay in this place or health endlessly at risk (3-4)
14 Hardly a young shaver! (9)
16 Flourish after a month once at sea (9)
17 Non-military engagement (9)
18 Variable reactor for the inventor (7)
20 Seeded, we hear, and produced a crop (7)
22 Writers circle at first speaks out (5)
23 Boat to push out? (6)
24 Awkward fold turns up in it (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 28.

WORLD STOCK MARKETS

AUSTRIA

1988/89 High	Low	January 13	Price Sch
2,070	1,850	Creditanstalt	2,040
3,100	2,600	Goesser	3,090
15,500	9,350	Interunfall	14,420
9,280	4,660	Jungbunzlauer	9,220
406	332	Laenderbank	370
665	382	Perlmooser	482
908	760	Reiningbaus	895
187	151	Semperit	184
123	71	Steyr-Daimler	79
695	555	Veitscher Mag	654

BELGIUM/LUXEMBOURG

1988/89 High	Low	January 13	Price Frs.
3,300	2,490	B.B.L.	3,300
13,580	13,000	Bank Intl. a Lux	13,500
14,000	13,500	Banque Gen. Du Lux	14,000
38,475	31,100	Banque Nat Belg	38,250
13,975	6,780	Bekaert B	13,975
6,870	4,200	Ciment CBR	6,810
5,850	4,050	Cobepa	5,560
3,990	4,100	Do. AFV 1	5,580
5,940	4,100	Do. AFV 2	5,630
357	125	Cockerill	357
11,750	4,800	Colruyt	11,750
5,050	2,920	Delhaize	5,050
4,900	4,105	EBES	4,725
4,900	4,100	Do. AFV 1	4,650
4,860	4,120	Do. AFV 2	4,660
1,350	470	Fabrique Nat	682
1,650	830	GB Inno BM	1,384
1,595	840	Do. AFV	1,398
4,120	2,210	GBL (Brux)	4,120
4,100	2,200	Do. AFV 1	4,100
4,100	2,205	Do. AFV 2	4,100
4,100	2,208	Do. AFV 3	4,100
1,695	654	Gechem	700
1,670	566	Do. AFV	660
6,310	4,150	Generale Bank	6,310
6,890	5,250	Do. AFV 1	6,590
7,390	5,850	Do. AFV 2	6,930
8,500	5,730	Gevaert	8,200
15,175	5,800	Hoboken	14,650
14,325	6,200	Do. AFV	14,325

FRANCE (continued)

1988/89 High	Low	January 13	Price Frs.
2,660	1,428	Arjomari-Prioux	2,542
1,164	668	Auxiliaire d'Ent	980
870	430	BIC	857
716	378	BSN	700
600	304	Bancaire Cie	565
334	198	BNP (Cert.Inv.)	322
605	281	Beghin-Say	600
420	215	Do. Certs	400
3,198	1,760	Bongrain	3,122
715	367	Bouygues	650
1,390	349	Carnaud	630
3,425	2,080	Carrefour	3,425
211	101	Casino	205
794	571	Cetelem	681
1,344	605	Chargeurs	1,220
1,278	684	Ciments Fr.	1,278
574	330	Club Méditerranee	574
366	275	Cofimeg	356
373	304	Copifi	345
429.5	182.8	CSE	420.8
457	260	Coparex	359
993	758	Cred Foncier Fr	882
1,078	576	Credit National	1,030
3,490	1,310	Damart	3,280
3,087	1,125	Docks de France	2,901
589	385	Dollfus-Mieg	515
845	401	Dumez S.A.	834
1,670	900	Eaux (Cie Gen)	1,609
1,816	850	Ecco	1,780
964	536	Electrofin'ce	902
413	229	Elf-Aquitaine	413
356	200	Do. Certs	349
1,240	345	Epeda-Bertrand	1,151
3,699	1,954	Essilor	3,820
2,870	1,285	Eternit (Fin.)	2,870
1,814	1,080	Eurafrance	1,750
1,469	700	Eurocom	1,410
2,870	1,965	Euromarche	2,672
1,470	733	Exor	1,440
218	182	Finextel	285
685	477	Fonciere Lyons	477
1,782	741	Fromageries	1,775
910	302	GTM-Entrepose	900
718	328	Gascogne (Soc 10)	688

INDICES

NEW YORK — DOW JONES

	Jan 13	Jan 12	Jan 11	Jan 10	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2226.07	2222.32	2206.43	2193.21	2226.07 (13/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.71	88.53	88.40	88.44	91.25 (3/3/88)	86.12 (4/1/88)	-	-
Transport	996.76	996.11	992.70	986.22	996.76 (13/1/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	188.54	188.95	188.95	187.41	190.02 (29/1/88)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2235.00 (2229.11) Low 2210.54 (2200.71)

STANDARD AND POOR'S	Jan 13	Jan 12	Jan 11	Jan 10	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	283.87	283.17	282.01	280.38	283.87 (13/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	328.81	327.99	326.29	324.33	328.81 (13/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.41	25.38	25.21	25.02	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	159.58	159.26	158.65	157.85	159.58 (13/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	315.93	315.00	313.86	312.95	315.93 (13/1/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	387.09	387.01	385.31	384.59	394.77 (18/7/88)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan 6	Dec 30	Dec 23	year ago (approx.)
Dow Industrial Div. Yield	3.66	3.70	3.70	3.62
	Jan 11	Jan 5	Dec 28	year ago (approx.)
S & P Industrial div. yield	3.15	3.17	3.20	3.17
S & P Indl. P/E ratio	13.09	12.97	12.86	15.69

TRADING ACTIVITY † Volume Millions

	Jan 13	Jan 12	Jan 11
New York	132,320	183,000	148,950
Amex	11,400	12,413	9,200
OTC	122,863	135,428	115,766

NEW YORK	Jan 13	Jan 12	Jan 11
Issues Traded	1,969	1,977	1,939
Rises	843	899	802
Falls	594	569	603
Unchanged	532	509	534
New Highs	63	79	60
New Lows	9	8	11

CANADA

TORONTO	Jan 13	Jan 12	Jan 11	Jan 10	1988/89 High	1988/89 Low
Metals & Minerals	3412.3	3401.9	3381.0	3342.7	3412.3 (13/1/89)	2238.7 (8/2/88)
Composite	3492.4	3486.3	3468.5	3444.4	3492.4 (13/1/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1758.59	1756.07	1748.18	1735.87	1758.59 (13/1/89)	1305.06 (27/1/88)

	Jan 13	Jan 12	Jan 11	Jan 10	1988/89 High	1988/89 Low
AUSTRALIA All Ordinaries (1/1/80)	1517.9	1507.8	1499.4	1501.8	1657.8 (9/8/88)	1170.7 (18/2/88)
All Mining (1/1/80)	684.2	681.4	676.2	678.4	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA Credit Aktien (30/12/84)	223.56	223.50	224.30	223.80	225.48 (4/11/88)	163.98 (11/2/88)
BELGIUM Brussels SE (1/1/84)	5709.00	5690.80	5654.30	5616.10	5709.00 (13/1/89)	3608.35 (4/1/88)
DENMARK Copenhagen SE (3/1/83)	280.37	280.33	280.49	283.10	285.32 (5/1/89)	180.68 (4/1/88)
FINLAND Unitas General (1975)	729.2	729.0	730.2	729.5	772.1 (8/8/88)	530.6 (15/1/88)
FRANCE CAC General (31/12/82)	441.3	434.4	434.1	436.4	441.3 (13/1/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	104.7	104.5	102.8	(u)	104.7 (13/1/89)	100.0 (1/1/89)
GERMANY FAZ Aktien (31/12/58)	565.12	566.69	562.78	560.95	567.51 (5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1694.7	1698.7	1687.7	1683.3	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1353.25	1358.74	1353.42	1345.91	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG Hang Seng Bank (31/7/64)	2843.98	2879.33	2872.52	2832.38	2879.33 (12/1/89)	2223.56 (8/2/88)
ITALY Banca Com. Ital. (1972)	600.41	597.24	600.38	600.37	600.41 (13/1/89)	423.91 (9/2/88)
JAPAN** Nikkei (16/5/49)	31298.38	31143.45	31143.45	31006.5	31298.38 (13/1/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2457.58	2445.82	2442.10	2427.75	2457.58 (13/1/89)	1690.44 (4/1/88)
NETHERLANDS ANP-CBS General (1970)	297.2	294.5	290.7	293.0	297.2 (13/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	260.7	257.4	254.6	255.8	260.7 (13/1/89)	157.9 (11/1/88)
NORWAY Oslo SE (4/1/83)	509.52	507.42	500.88	501.46	509.52 (13/1/89)	327.78 (28/1/88)
SINGAPORE Straits Times Ind. (30/12/66)	1099.19	1095.31	1085.59	1083.50	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA JSE Gold (28/9/78)	1328.0	1331.0	1323.0	1325.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2080.0	2079.0	2067.8	2049.0	2080.0 (13/1/89)	1387.0 (12/2/88)
SPAIN Madrid SE (30/12/85)	280.35	277.89	276.19	274.35	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN Jacobson & P. (31/12/56)	3496.9	3493.5	3496.7	3488.5	3496.9 (13/1/89)	2148.5 (4/1/88)
SWITZERLAND Swiss Bank Ind. (31/12/58)	632.5	628.4	624.1	620.2	632.5 (13/1/89)	466.6 (13/1/88)
WORLD M.S. Capital Intl. (1/1/70)	(u)	505.9	504.4	501.9	505.9 (12/1/89)	401.0 (21/1/88)

**Saturday Jan. 14: Japan Nikkei (c) TSE (c) ‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
SmithKline	2,514,300	52½	+ ⅛
RJR Nabisco	1,717,000	94⅝	+ ⅛
Ford Motor	1,478,000	52⅞	—
Burlington	1,417,700	35½	− ½
Masco	1,303,500	25⅛	+ ⅛
Merck	1,220,800	60⅞	+ ½
Savin Bus	1,216,600	13⅜	—
Usx	1,212,400	31⅛	+ ¼
IBM	1,165,800	123⅞	+ ¼
Chrysler	1,091,500	27⅛	+ ½

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday 13 January 1989

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy Ind	164.7m	1,180	+40
NKK	143.2m	995	+11
Mitsubishi Electric Co	53.6	1,120	+30
Nippon Steel	43.1m	935	-1
Kawasaki Heavy Ind	42.8m	965	-4
Japan Steel Works	41.7m	794	+1
Toshiba	30.8m	1,080	+30
Marubeni	28.1m	1,020	-20
Kawasaki Steel	26.8m	1,020	-20
Mitsui Toatsu	23.5m	892	+7

4pm prices January 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27¾	16⅞	AAR	.44	1.8	17	17	25	24⅞	25⅞	
10⅛	8⅞	ACM s	1.01	11.		247	9⅜	9⅛	9⅛	
12⅛	10¼	ACMIn	1.28a	12.		337	10⅝	10⅝	10⅝	
10⅛	8½	ACM M	n.17e	1.9		194	9⅛	8⅞	9	+ ⅛
12⅛	10⅛	ACM Sc	1.26	12.		693	10⅝	10⅝	10⅝	
10⅛	8½	ACMSp	n1.01a	11.		200	9⅛	9	9⅛	+ ⅛
6⅛	3⅞	AM Intl				655	5	4⅞	4⅞	
23⅛	18⅞	AM Inl pf	2	9.1		4	22	21⅞	22	+ ⅛
55	32⅝	AMR			9	1604	54⅛	53⅞	54⅛	+ ⅝
27	25	ANR pf	2.67	10.		30	25⅝	25⅝	25⅝	+ ⅛
9½	5⅞	ARX			16	161	6⅛	5⅞	5⅞	– ⅛
50¼	35¾	ASA	3a	7.7		655	39⅛	38⅞	39	+ ⅜
20¼	12⅞	AVX	.24	1.3	15	x69	18⅛	17⅞	18⅛	– ⅛
52⅞	42⅞	AbtLab	1.20	2.5	16	3539	47⅞	47⅛	47⅞	+ ⅜
26⅞	15⅞	AbitibI g	1			12	16⅝	16½	16⅝	+ ⅛
10⅞	7½	AcmeC	.40	4.1		233	10⅛	9⅞	9⅞	
6⅞	5⅞	AcmeE	.32b	6.0	26	16	6⅜	6¼	6¼	
29½	10¼	Acuson			22	986	23⅝	23½	23½	
17	14½	AdaEx	1.82e	12.		172	14⅝	14⅜	14⅜	– ⅛
16⅞	7⅛	AMD			10	7721	9	8⅞	8⅞	+ ⅛
40½	28¾	AMD pf	3	9.3		16	32¼	31⅞	32¼	+ ⅛
9½	6½	Adobe				172	6⅞	6½	6⅞	+ ⅛
19½	16¼	Adob pf	1.84	17.		6	17⅛	17	17	
21¾	20	Adob pf	2.40	11.		84	20⅞	20⅝	20⅞	+ ½
9¼	5⅝	Advest	.12	1.6	24	9	7⅝	7⅛	7⅝	– ⅛
62½	33½	AetnLf	2.76	6.7	8	311	40⅝	40⅛	40½	– ⅛
37⅞	20	AflIPb s	.22	.9		416	26⅛	25⅞	25⅞	– ⅛
18⅝	13⅛	Ahmans	.88	5.2	16	2406	17⅛	16⅞	17	
4⅝	1⅞	Aileen			27	15	3⅞	3½	3½	– ⅛
53⅞	35½	AirPrd	1.20	2.7	17	2272	44⅝	44¼	44⅝	+ ⅜
23¾	12¼	AirbFrt	.60	2.7	22	161	22¾	22¼	22¼	– ½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10½	8	RJamFn	.20	1.9	11	16	11	10⅞	11	+ ⅛
21⅝	16½	Rayonr	2.60	13.	6	72	20⅛	19⅞	19⅞	− ⅛
8½	2⅛	Raytch	.05e	1.4		28	3⅝	3½	3½	
73⅞	20	Raythn	2	3.0	8	776	67½	67⅛	67½	+ ⅜
2½	½	ReadBt				662	⅞	13-16	⅞	+ 1-16
5⅞	1⅝	RdBat pf				21	2⅝	2⅛	2½	+ ⅛
3⅞	1⅛	RdBt pfA				9	2⅞	2⅝	2⅝	
18	15¼	REIT	1.68	8.9	15	64	18	15⅞	18	
18⅛	5½	RecnEq				143	12	11⅞	11⅞	− ⅛
18⅛	9½	Reebok	.30	2.6	8	3040	10	11⅝	11⅝	− ⅛
12⅞	9⅞	Reece	.18e	1.6	17	1	11⅞	11⅞	11⅞	
15-16	⅜	Regal				59	⅜	⅜	⅜	− 1-32
6⅞	5⅞	RegFn	.24e	3.9		154	6½	6⅛	6⅛	
16⅞	12⅞	ReichTg	1.76	13.	8	32	13½	13⅛	13½	
7½	4⅛	RelGrp	.32	7.1	8	206	4⅝	4½	4½	
6⅞	4⅛	RepGyp	.20	4.4	23	35	4½	4⅜	4½	
48⅛	38½	RepNY	1.20	2.8	11	285	43⅝	43⅛	43½	
53	43	RNY pf	3.78e	8.6		428	44⅞	44⅛	44⅞	+ ⅛
24⅞	14½	Revco	n.30e	1.6		259	22⅛	21⅝	22⅛	+ ⅛
58½	34	ReyMt	1	1.7	6	6623	57⅞	57	57⅛	− ⅛
40⅞	29⅛	RiteAid	.82	2.6	14	612	32⅛	31⅞	32	+ ⅛
1	5-16	RvrOak				99	⅜	11-32	⅜	+ 1-32
16½	8⅝	Robtsn				34	9⅛	9⅛	9⅛	− ⅛
27	21⅞	vjRobins			14	10	25⅞	25⅛	25⅞	− ⅞
18⅛	15⅛	RochG	1.60	8.8	11	110	17⅞	17½	17½	− ⅛
54⅛	40⅝	RochTl	2.84	5.6	14	152	54	53⅛	53⅞	− ½
16⅛	6⅞	Rckwy	.36	2.4	18	1323	15⅛	15	15⅛	+ ⅛
20⅛	17⅞	RckCty	1.84	9.6	14	295	19⅛	19	19⅛	− ⅛
23½	16½	Rockwl	.72	3.6	7	2006	21⅞	21⅛	21⅞	+ ⅛
9⅞	5½	RodRen	.14	1.9		19	7⅞	7⅞	7⅞	
37½	29⅞	RoHaas	1.10	3.1	11	466	35⅛	35⅛	35⅛	+ ⅛
33½	17⅞	Rohr			12	1297	30½	30	30	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39½	24⅛	XTRA	.72	2.0	14	1536	36⅛	36⅛	36⅛	− ⅛
22⅞	22	XTRA pf	1.94	6.8		8	25	29	29	
3⅞	2	Zapata				71	2⅛	2⅛	2⅛	− ⅛
27⅛	14⅛	Zayre	.80	1.6	184	1470	25	24⅝	24⅝	− ⅛
15½	9½	Zemex	.80	2.1	16	9	12⅞	12⅞	12⅞	+ ⅛
30	16½	ZenithE				2715	10⅞	10⅛	12⅞	+ ⅛
10⅛	5⅞	Zenin n	.59e	6.2		206	9½	9½	9½	+ ⅛
3⅛	1	vjZenLb				421	1½	1½	1½	
21⅝	14½	ZeoNt	.80e	4.6	8	21	17⅛	17⅛	17⅛	− ⅛
18½	16	Zero	.44	2.4	16	70	18	17⅞	18	+ ⅛
28	16⅞	Zurnin	.20	2.4	17	27	27⅞	27⅞	27⅞	
11⅛	5⅞	Zweig	1.06e	10.		312	10⅛	10⅛	10⅛	
10⅛	9	ZweigT	a.16e	1.7		241	9⅝	9⅛	9⅛	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
CoronA n		38	781	8⅛	6⅞	8⅛	+ ⅛
Cross	1.12	17	207	34⅞	34½	34½	− ⅛
CrnCP	1e	8	105	u23⅛	22⅞	32	− ⅛
CrCPB		6	27	u21⅝	21⅛	21⅛	
CwCP	pf1.82		18	u33	32½	22⅞	+ ⅛
CwC	pfD2.25		144	u30⅛	29⅞	29⅞	− ⅛
Cubic	.42	16	18	16⅛	16⅛	16⅛	
Custmd			16	⅛	⅛	⅛	
CyprFd			193	7	6⅞	6⅞	− ½

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ICH			2360	4⅛	d 4	4⅛	
ISS	.24	15	14	6⅞	6⅞	6⅞	+ ⅛
ImpOil	g1.80		303	45⅝	45⅜	45½	
InstSy		6	38	1⅛	1	1	
InstSy	pt.25e		46	2⅛	8	2⅛	+ ⅛
IntgSy	.40e		118	2⅞	2½	6⅝	+ ⅛
IntCty	g .72		5	18⅛	17⅞	17⅞	− ⅛
Intmk	.13	6	18	13⅞	13⅛	13⅞	− ⅛
IntBknt		52	134	3⅝	3⅛	3⅝	
IntTlch		20	2250	8⅛	7⅞	8⅛	− ⅛
IntThr			353	⅝	9-16	19-32	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Presd B			122	5	4⅞	4⅞	
Presd A	.10		23	5⅛	4⅞	5⅛	+ ⅛
PresCm		1	509	7	6⅞	7	+ ⅛
Prism			15	3⅛	3⅛	3½	+ ⅛
ProMed	.40		5	3⅞	3⅛	3⅞	
ProfCre		6	34	2½	2⅛	2½	+ ⅛
RAC n	1.23e		1020	7	d 6⅞	6⅞	− ⅛
RBW			8	5⅞	5⅞	6⅞	− ⅛
Ragan	.10	24	30	21⅛	20½	20⅞	− ⅛

OVER-THE-COUNTER

Nasdaq national market, 4pm prices January 12

Stock	Div.	Sales 100s	High	Low	Last	Chng
DellCpt		11 1540	8½	8⅛	8⅛	
DepGty	1.52	8 46	32½	28	32½	+ ⅛
Diagnst		27 280	4 15-16	4 13-16	4 15-16	+ 1-16
Dibrel s	.38	19 18	17	16⅞	16⅞	− ⅛
Dicson		7 130	11⅛	11	11	
DigMic		34 514	20⅛	22	22⅛	− ⅛
Digtch		239	1⅛	1 1-16	1 1-16	− 1-16
DimeFn	.30	19 60	13	12⅞	12⅞	
Dionex		16 457	23½	22⅞	22⅛	− ⅛
Divlnvt		17 4	14⅞	14⅞	14⅞	− ⅛
DixieYr	.80	10 186	16⅛	16⅛	16	
DirGnl	.20	32 213	8⅞	8	8⅛	+ ⅛

Stock	Div.	Sales 100s	High	Low	Last	Chng
KndrLr		1028	5⅞	4⅞	5⅛	+ ⅛
Kinetic		16 167	7⅛	7	7⅛	− ⅛
Kirschn		30 6	19½	12	19	− ½
Komag		15 1480	9⅞	9	9⅛	
Kruger	.32	10 551	5⅞	5½	5⅞	
Kulcke		14 212	6⅞	6⅛	6⅛	− ⅛
LA Gr s		8 5025	u25⅛	24⅛	25⅛	+ ½
LSI Lg		10 1029	10⅛	10½	10⅛	
LTX		15 364	8⅞	8⅞	8⅛	− ⅛
LVMH	.79e	36 27	119⅞	118	119⅛	− 5⅞
LaPete		14 611	6⅞	6	6⅛	− ⅛
LacldS s	.80	8 6	21⅞	21⅛	21⅞	+ ⅛

Stock	Div.	Sales 100s	High	Low	Last	Chng
Ricbld	.10e	14 27	8⅛	8⅛	8⅛	+ ⅛
RiggsN	1.10	8 11	34⅛	34	34	
RoadSv	1.10	16 547	30	29⅞	29⅞	
RobNt s		19 10	17⅛	17⅛	17⅛	
RochCS	.44	14 2084	17	16⅞	16⅞	− ⅛
RevlFn	.80	5 30	18	11⅞	18	+ ⅛
RoseB	.09e	14 812	7⅛	7½	7⅞	+ ⅛
Rosptch		14 1	19⅛	19⅛	19⅛	
RossStr		14 368	10⅞	10⅛	10⅛	
Rouse	.92	17 1886	24½	24	24	− ⅛
RyanF		16 3235	6⅞	6½	6⅞	+ ⅛
SCI Sys		17 4185	16	16⅛	16⅛	− ⅛

Stock	Div.	Sales 100s	High	Low	Last	Chng
Worthg	.44	16 1991	21⅛	22½	22⅞	+ ½
Wyman	.80	15 30	15⅛	15⅛	16½	− ⅛
XL Dta		19 169	20⅛	20⅛	20	− ⅛
XOMA		100	13½	13⅛	13⅛	− ⅛
X-Rite s	.08	14 109	8⅞	8½	8⅝	
Xicor		12 329	7½	7⅞	7⅞	− ⅛
Xyvsn		24	4⅞	4⅞	4⅞	− ⅛
Yelowf	.70	12 1220	21⅛	20½	20⅛	− ⅛
ZionUt	1.44	51	21⅞	20½	21⅛	+ ⅛

The Business Column

Why joint ventures can end in tears

Lord Weinstock's throwaway remark on Friday – "if you can't beat them, join them" – says more than even he may have intended about the flood of joint ventures which his GEC and most other electrical engineering groups around the world are currently erecting between themselves, in common with a host of other industries.

Like GEC's ambitious bevy of deals with America's General Electric, GEC's proposed new partnerships with West Germany's Siemens in defence and telecommunications, and its power engineering alliance with Alsthom of France, are officially just that: partnerships.

But if the experience of most other cross-border strategic alliances is anything to go by, the reality is likely to prove rather different, with one partner gradually dominating the other – and not necessarily in line with the pattern of official management control.

The reason, as Lord Weinstock's remark implied, is that companies such as GE and GEC are not natural allies, but competitors. In medical equipment and gas turbines, two of GE's strongest businesses, GEC's presence in the international market place has long been a considerable irritant to the American giant. It is a similar story for Siemens in telecommunications; the joint GEC-Plessey telecom subsidiary GPT, may not be an international player, but it acts as a barrier against the German company's ambitions to break into the lucrative UK market.

Seen in this light, many of today's alliances in many international industries are not true joint ventures in the traditional sense of balanced-interest deals between companies with complementary resources, market access and ambitions, but what academics have come to call "competitive collaboration," in which one partner is actually out to disarm the other.

Many alliances between Japanese and Western companies in the electronics industry over the past decade have been of this type, with the Japanese using the partnership to secure long-term access to Western markets in competition with their partners, while the Western side makes only short-term gains, through the supply of products, components or technologies.

Takeovers by stealth

By intent or otherwise, many of today's international joint ventures are takeovers by stealth. Most Western companies are too aware of political sensibilities to admit as much in public, even when they are aware of what the alliance may become, but a few come round to the truth pretty quickly. Philips of the Netherlands has effectively conceded that its telecommunications joint venture with America's AT&T amounted to a sell-out and was quicker to make what amounts to a similar admission about last year's deal with Whirlpool in domestic appliances.

If a joint venture partner dislikes this trend, having failed to get the upper hand, the only solution may be to cancel the arrangement – and raise the failure rate of alliances still further. Extensive research by academics and consultants suggest that the rate of collapse (as distinct from conversion into takeover) exceeds 50 per cent, which is far higher than for mergers and acquisitions, which have a failure rate of "only" 30 to 50 per cent (rather lower for deals between the sort of "related" types of business which tend to figure in joint ventures).

By agreeing, wherever possible, that control will be in the hands of one partner or the other, rather than exercised jointly, GEC has avoided one of the early traps into which other alliances have fallen. But early management control does not guarantee continued dominance.

If GEC's Hotpoint appliances business is indeed to use the GE alliance as a springboard for expansion on the continent, it will be difficult for it to avoid experiencing a growing influence from GE's massive appliances interests back in the US. Even in one of GEC's strongest businesses, in other words, joint venturing could be the start of something altogether less pleasant.

Christopher Lorenz

THE MONDAY INTERVIEW

Quietly against the party

Steven Butler and **Colina MacDougall** talk to Chinese dissident Fang Lizhi

During China's Great Proletarian Cultural Revolution in the late 1960s, millions of student Red Guards rampaged through the streets and terrorised government and Communist Party officials in a revolt against the nation's élite. Professor Fang Lizhi, then a nuclear physicist, was confined to a classroom for months and forced to study the writings of Chairman Mao.

Professor Fang, however, hid a book of physics in his clothing. When his young jailers left the room he pulled out a copy of Lev Landau's Theory of Fields and read it again and again.

The event marked an intellectual turning point for Fang as he became increasingly interested in astrophysics and the origin of the universe. He published China's first article on cosmology in 1972. "Cosmology was a forbidden field", he says. "Our cosmology was already laid down by Marxism-Leninism."

This put him well on the road to becoming China's most prominent, and perhaps most courageous, political dissident, often referred to as China's Andrei Sakharov. Last week, a letter was published which he had written to Deng Xiaoping, China's senior leader, urging an amnesty for all political prisoners as a "humanitarian gesture."

He made a special plea for Wei Jingshen, the "Democracy Wall" activist who was jailed *for 15 years in 1979.* This letter is not likely to please Deng, who is known to have been highly critical of both Wei and Professor Fang.

In cosmology, Fang found the intellectual foundation from which to reject Marxist theory. A small man, with a jovial, round face sporting heavy, academic-looking glasses, he is quiet and unassuming in manner. One would not guess this is a man who has achieved international *fame by challenging* apparently unassailable Chinese authorities. But his strength is that, unlike most Chinese intellectuals, he has not been afraid to speak his mind.

"Marxism is outdated," he says. It is a simple statement with which many in the West, and indeed in China, would agree, but not one that can be uttered lightly in a country ruled by the Chinese Communist Party.

Fang is not a man to mince words. *In 1986 he spurred his* students at the University of Science and Technology in the east China city of Hefei to protest against party and college misdeeds. It led to outbreaks of student protest all over China and finally to the sacking of the then party general secretary, Hu Yaobang. "I wasn't afraid of going to prison, but it was a very dangerous period," Fang says.

In the crackdown that followed he was stripped of his teaching post, summoned to Peking and appointed to the Peking Observatory where he had no contact with students. Yet he is still a hero to students and others as the one man who has spoken out for greater freedoms without being totally crushed.

Fang's outspokenness has launched him towards interna*tional fame beyond the circle* of scientists where he had already established a reputation as a world-class astrophysicist.

PERSONAL FILE

1936: Born, Peking
1955: Joined Communist Party
1956: Graduated Peking University. Joined Institute of Physics, Academy of Sciences
1958: Expelled from Communist Party; moved to University of Science and Technology of China
1972: Published first article on cosmology, officially criticised as anti-Marxist
1986: Relocated to Peking following student demonstrations in Hefei

It is a mark of the changed political atmosphere in China that the Government has not taken even more severe steps *to silence him. One of his most* recent transgressions, which resulted in an international travel ban, was to say in a Hong Kong interview last autumn that he opposed the Chinese Government's aim of bringing Taiwan back into the fold on the basis of China's post-1997 Hong Kong policy: "One country, two systems."

Fang wants all of China to be democratic and the implied reference to China's lack of freedom in a sensitive spot such as Hong Kong could not have pleased Peking. "But (the travel ban came) not because of what I said but where I said it."

Professor Fang's wife, who is also a scientist, is never allowed to travel. "They always give the tickets to someone else", she says.

"I have no regrets abont *speaking out on my political* views," says Fang. "It's not that I'm particularly brave. It's been a gradual process."

The first battle with the party came in 1958, during an "anti-rightist campaign." Just three years after Fang had joined the party, he was booted out when he refused to apply his expertise in nuclear physics to China's effort to develop nuclear weapons.

Fang does not expect his call for political change to be answered soon, but he *sees* himself as laying seeds that may one day spront and mature. He believes the party is weakening.

"The party always says it represents the working class, but if you visit the old liberated areas (the party's guerrilla bases in the civil war), you'll see how poor they are.

"For the present, a big change in a short period is impossible because Deng Xiaoping is still there. Bnt intellectuals and students will know how to change the system. This is very important. There is an infrastructure. If Deng dies, maybe people can push the party to change.

"After he dies, there will be a power *struggle.* Zhao Ziyang (the current party boss) and Li Peng (Prime Minister) are not *strong enough to survive."*

Fang does see plenty of good in what Deng has accomplished, and admires *him* for pushing forward with economic reforms. These have transformed China almost beyond recognition in the past decade from a tightly controlled society with an inefficient and cumbersome, centrally planned economy to a society that is far more open and where market forces play an important role.

"At least they (the leaders) recognise the problems they now have – inflation, corruption and a distorted salary system." Professors and managers now earn a fraction of the income of successful peasants or taxi drivers.

Still, he believes the reform process has entered a critical phase in which China's leadership is floundering for direction. "Chinese do not see what the aim is. There is no theory. So it doesn't matter if it is a weak or a strong (government). *The problem is they don't* know the direction and that is the most dangerous point. If you don't have a purpose it's hard to do *anything."*

Fang reflects widespread disappointment among intellectuals over the reform process, which was last year halted by rampant inflation that ate severely into the earnings of teachers and professionals.

The reforms, begun 10 years ago, led to a dramatic increase in rural incomes and a mass exodus of rural labour into a fast-growing private and co-operative industrial sector. But reforms in the planned state sector of the economy have proved far more difficult and last year helped to push inflation far above the modest levels the Chinese can tolerate.

"It's difficult to say that since 1984 (when China had its best-ever harvest) things have continued to get better. Now we have rationing again – only in 1985 was there enough grain to eat. Very few people eat meat – most people only get about one kilo a month – and when it's not rationed it's very expensive."

The mixture of private and public industrial ownership and planned and free markets has created opportunities for corruption. Much of this is pursued not just hy individuals but by enterprises seeking to protect their own workers in an increasingly turbulent economic environment.

The result often appears to be chaos in the economy and a collapse in values that violates widely held concepts of social justice.

"The leaders just think that there are some difficulties now, like before. But intellectuals and ordinary people think it is very dangerous. One signal is that very few people believe in the party any more. Potentially I think there could be great unrest".

Fang believes that the party's credibility was severely undermined by flirtation with price reform, which produced a severe bout of inflation followed by a wholesale retreat by the party leadership. Price reform has been put on ice for two years.

In the past, Fang says, the party managed more or less successfully to shift blame for its failures elsewhere, on to the Soviet Union, on to "enemy classes", or on to an erring leader who was purged. This time there was no one else to blame. "The result is that nobody believes them.

"There is a vacuum of belief and this is a big problem. After liberation (the 1949 Communist takeover), Confucianism was destroyed. They destroyed all concepts from the West, such as capitalism and religion. The only beliefs were in Mao and Marxism. So now they have killed off all the beliefs.

"The consequence is very bad. Just after liberation the country was very poor, but the people believed that the future must be very good. Overseas Chinese scholars came back. Bnt now it is just the opposite. China is not poorer than in the 1950s, but people do not believe we have a good future. Students go abroad and none of them want to come back. Students that do come back can't fit in here.

"People feel that China is splitting apart. Historians say that *the feeling that the country is disintegrating* comes at the end of a dynasty."

'I have no regrets about speaking out on my political views'

Cost of compensation and retribution

A.H.HERMANN

The inequities of the laws governing compensation for personal injuries and death, both in the UK and elsewhere, are notorious. They have been made more conspicuous by the series of recent disasters: the Piper Alpha oil rig explosion, the Clapham railway crash, the Lockerbie crash and the Boeing 737 crash on the M1 motorway.

Though the need of the victims may be the same in every case, their chances of getting compensation, its amount and the time it will take to come differ widely according to the cause of the disaster and country in which the compensation can be claimed.

An attempt to arrange matters more rationally would necessarily start from analysis of the interest and merits of the three parties involved in any personal injuries litigation or settlement. They are: the victims, those liable for the accident and the lawyers.

The fact that the liable party now often pays almost half as much again as is ultimately received by the victim – and sometimes even more – indicates that the transaction costs are *absurdly high. The* lawyers, who, as a rule, are blamed for the high legal costs, are often doing their best to fight a system which has an inbuilt propensity for delay and high costs.

Victims of such accidents may have had their earning capacity reduced, been made dependant on nursing and medical attention, been deprived of the financial and moral support of spouses, children, or parents, and suffered pain and anguish. But *not* necessarily more so than the victims of natural disasters such as floods, hurricanes, earthquakes and epidemics, where there is no one who can be blamed or made liable. Indeed, a sudden death in a disaster may be more merciful than a long protracted illness.

The prevailing opinion that victims of disasters with human causation should be compensated and helped more than victims of natural disasters or diseases, is prompted by two considerations.

● First, there is the feeling that society owes more to those who suffered by avoidable misfortune; this seems justified in a world where the needs of all suffering, however caused, are not fully taken care of by perfect health services and complete social security. We do not live in such an ideal world.

● Second there is the conviction that, if the accident or disaster was caused by a human failing, not to speak of recklessness or malice, there ought to be some retribution. Such feeling, though often irrational, has a pragmatic justification: the threat of liability to victims and of damages for property losses is about the best method of keeping manufacturers, professionals and operators of public services on their toes. It obliges them to keep improving the safety of their operations and not to relent in their vigilance.

In this context the legal service comprises both the courts and the lawyers. The high share of compensation absorbed by the legal costs may be due to several causes. *Some US jurisdictions* now limit the percentage which can be absorbed by contingent fees. In the UK, the Lord Chancellor seems to favour standard fees for certain legal services to avoid uncontrollable time fees, but no one seems to be ready to attack the uncertainty of law and the inadequacies of procedure which lead to, or create an opportunity for charging high fees.

Another cause of high legal costs seems sometimes to be insufficient specialisation in dealing with this type of dispute both on the part of lawyers and of courts. For certain types of personal injury claims, compensation seems to come faster and with greater predictability because the claims are handled by highly specialised lawyers – in asbestos claims, for example, about which I wrote in this column last week.

Co-operation among lawyers, first developed in the US class actions, obtained good results in the Piper Alpha disaster in the UK. The awareness of its importance led the Law Society to open a Disaster Co-operation Service to deal with the aftermath of the Boeing 737 crash. It hopes to arrange an early meeting of solicitors acting for the victims.

But there is a need to go further. In the same way as the technical and medical management of disaster rescne operations requires a special organisation, so too does the legal and financial aftermath. There is need for a public body which would disentangle its two separate elements, compensation to victims on the one hand, and the contribution of those liable for the disaster.

Such a public institution - "a disaster fund" - could compensate victims according to a tariff taking into account the need and the degree of loss and damage suffered. There could be an immediate partial payment, followed later by an award of additional compensation in a lump sum or an annuity, when the need of the victim was better ascertained.

The public disaster fund could have its own independent assessors and medical experts. Its decision could be appealed to the courts by way of judicial review, as with any other decision of a public body.

After providing for the immediate needs of the victims, the disaster fund would have plenty of time to seek compensation from the parties liable for the accident. It would be likely to get better results *faster and with lower legal* costs than individual claimants. Its lawyers would be highly specialised and the stamina of the institution would equal that of the insurance companies which are mostly the real defendants in personal injury claims.

The only loser might be the legal profession, but they have plenty of other business on their hands.